FINANCIAL TIMES

No. 28,367

PUBLISHED IN LONDON AND FRANKFURT

Monday January 12 1981

**25p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 28; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 800; NETHERLANDS Fl 2.0; NORWAY Kr 6.00; PORTUGAL Esc 45; SPAIN Pta 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 30p; MALTA 25c

NEWS SUMMARY

GENERAL

Turkey's bank governor dismissed

Turkey's military administration has dismissed the governor of the country's central bank, Mr. Ismail Hakki Aydinoglu.

The governor has repeatedly criticised Mr. Turgut Ozal, the powerful Deputy Prime Minister, over the monetarist economic policies adopted by him.

Mr. Aydinoglu's dismissal confirms Mr. Ozal as Turkey's supreme economic planner and shows that the ruling generals continue to have faith in his plan. Page 2

Reagan's choice

President-elect Ronald Reagan is to appoint Chicago banker Mr Beryl Sprinkel as U.S. Treasury Under-Secretary for monetary affairs. Page 2

Early Budget

Budget day is expected to be either March 10 or 17, earlier than previously anticipated. Back Page

Hostages move

Iran will give its reply to the latest U.S. proposals for ending the hostages crisis within the next two days, according to a leading Tehran newspaper. Page 2.

Troops fly out

France has reinforced its military presence in the Central African Republic in the aftermath of Libya's intervention in Chad. Page 3

Blaze kills three

A mother and her two children died when fire swept through their home in Ilford, Essex. The father was last night "critically ill" with burns.

Cleaner Maze

Hopes of an end to the "dirty protest" at Northern Ireland's Maze jail rose when about 50 Republican prisoners agreed not to soil the clean cells they are being moved to.

Rates row

Several Tory MPs are expected to criticise the Government over the rate support grant settlement for local councils in what is expected to be a heated parliamentary debate on Wednesday. Back Page; news analysis, Page 20

Schools plea

National Council for Educational Standards, a pressure group which backs grammar schools, today calls for the return of selection to save Britain's traditional sixth-form education from the threat of extinction.

Poles' tactics

Leaders of Poland's independent trade union, Solidarity, intend to avoid using strikes to press their demand for a five-day working week. Back Page

Count murdered

Count Gabriel de Crancey, 50, was murdered by a gunman outside his Brussels home.

Police attacked

Hundreds of people made homeless by the Italian earthquake disaster attacked police with stones when they were forced out of a tourist hotel in Naples.

Briefly . . .

Bobby Jaye, 55, is to succeed David Hatch as head of BBC Radio light entertainment.

Sotheby's is to auction a gold cigarette case presented to Wing Commander Guy Gibson after the 1943 "Dambuster" raids on Germany.

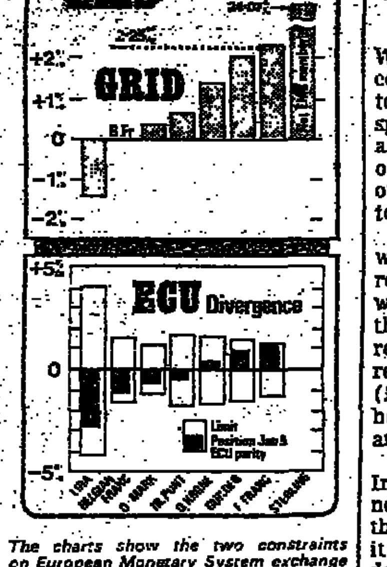
BUSINESS

OPEC's London buying aids yen

● OPEC COUNTRIES using London for massive share purchases on the Tokyo stock market apparently contributed to the yen's sharp rise on foreign exchange markets last year. Net purchases of Japanese shares from London jumped from $171m (£72.8m) in the first 11 months of 1979 to $3.7bn in the same time last year. Back Page

● OLYMPIA WERKE typewriters, part of the troubled AEG-Telefunken group, is to seek West German Government financial support as a condition for keeping a big factory open. Back Page

● ITALIAN LIRA remained the weakest currency in the European Monetary System last week, undermined by a sharp rise in the Wholesale Price Index. But the Italian unit was still within its maximum permitted divergence from central rates. Another weak currency, the Belgian franc, finished above only the lira, but seemed little affected by Friday's cut in Treasury bill rates, the first such move since November. The French franc continued as the most improved currency, although on Monday the Dutch guilder held that position briefly. The guilder traded quietly despite record post-war unemployment figures announced on Friday. The D-mark attracted little attention and maintained its place above the lira and Belgian franc.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● PUBLIC UTILITIES pay rise norm of 8-9 per cent had been set by the Government, claimed union leaders of manual workers in the water industry, as recommendations for industrial action went out to members. Page 3

● PRINTING and publishing industry productivity rose by 18 per cent, three times as much as the economy as a whole, in 1975-1980, a report said. Page 21

● PEOPLE'S BANK of Bradford is appealing against the Bank of England's refusal to grant it recognised bank status, forcing it to drop the word "bank" from its name. Page 20

● RETAILERS are pessimistic about 1981 despite the buoyant start given by bargain sales, said Retail Consortium director Richard Weir. Page 20

● INFLUENTIAL Lloyd's of London underwriting members want big changes in a private Bill to reform Lloyd's self-regulation, and may delay its enactment. Page 3

CONTENTS

Seamen start action despite employers' last-minute offer

BY PAULINE CLARK AND WILLIAM HALL

INDUSTRIAL action by seamen intended to cause the biggest disruption to British shipping since their 1966 national strike started at midnight in spite of a last-minute offer by shipowners.

The seamen's action, resulting from a national pay dispute, is designed to prevent all British deep-sea vessels from leaving home ports for an indefinite period. The National Union of Seamen also intends to disrupt selected British shipping in foreign ports.

Most British-owned ships are expected to be hit, including oil tankers and container vessels. Passenger liners have been excluded.

Cross-Channel ferries were prevented from sailing yesterday. A Townsend Thorensen ferry from Dover to Zeebrugge, Belgium, was cancelled ahead of plans by ports seamen to stage a 24-hour strike until midnight.

Mass meetings of seamen in Southampton and Liverpool are scheduled for today.

A few hours before the action affecting some 26,000 seamen was due to begin, employers formally raised their pay offer to 12 per cent from a previously rejected 10.5 per cent.

In a telegram to the Clapham headquarters of the union in London, employers gave it until midnight on Tuesday to accept the offer or recommend its acceptance to an executive council meeting.

The union said last night an executive meeting would be called this week. The chances of averting prolonged action by seamen remain bleak.

Terms of the new offer had been made known to the union in proposals before the breakdown on Saturday of talks at the Offices of the Advisory Conciliation and Arbitration Service.

Effects of the strike. Page 3

Mr. Sam McCluskie, NUS deputy general secretary, said that the union officers' view was that the proposals offering overtime rates at time and a half on Sunday fell far short of the union's demand for improved rates for all overtime.

The General Council of British Shipping (GCBS) estimated that UK shipping companies stand to lose several million pounds a day.

GCBS members operate about 1,200 ships. Some 60 are likely to be affected immediately by the ban on sailings of deep-sea foreign-going vessels.

About 95 per cent of UK trade (by weight) is carried by sea; the proportion carried by UK ships has been falling. Foreign vessels carry 73 per cent of imports and 67 per cent of exports.

The roll-on/roll-off ferries operating between Britain and the Continent and Ireland are likely to be the most affected in the short term. Most ferries are crewed by British seamen. Any stoppages will hurt companies such as Townsend Thoresen, P & O Ferries and British Rail's Sealink.

Britain's deep-sea container ship operators, OCL, ACL and ACTA, are expected to be the target of industrial action which could block the specialised container terminals at places such as Southampton, Tilbury and Liverpool.

Mr. Adrian Swire, GCBS, said: "The only people who will gain from this action will be our competitors." Some 350 ships and 8,000 jobs had gone over the last three years. He predicted more jobs would be lost as a result of this action.

The union said it had received 35 telexes from crews aboard deep-sea vessels in foreign ports. Only one failed to support industrial action.

It refused to name the 14 companies it has singled out to take the brunt of the action but indicated they were all major shipping concerns.

The union contacted the

Continued on Back Page

Begin may call early elections in Israel

By David Lennon in Tel Aviv

THE ISRAELI Government of Mr. Menachem Begin will meet this morning to decide whether to call for early elections following the resignation yesterday of Mr. Yigal Hurvitz, the Finance Minister.

Most Cabinet Ministers appeared yesterday evening to expect the fall of the Government and spring elections, but they insisted that the final decision was up to the Prime Minister.

The resignation of the Finance Minister and the expected departure of his three-member party from the coalition will rob the Israeli Government of its parliamentary majority, already whittled down by earlier defections.

At this morning's extraordinary Cabinet meeting, the Premier will have to recommend whether he wants to try to serve out his term until November with a minority government, or table a Bill in the Knesset (Parliament) calling for a dissolution.

The Opposition Labour Party intends to table such a Bill on Wednesday, and last night called on the Government to join with it in tabling the Dissolution Bill. It also called on the Knesset's myriad small parties to refrain from supporting a government which has lost credibility with the voters.

Opinion polls have been showing for more than a year that the ruling Likud bloc led by Mr. Begin would lose heavily at the next elections in which Labour would be swept back into power.

The Cabinet met for nearly eight hours yesterday in an attempt to dissuade the Finance Minister from resigning over recommendations for granting large pay rises to the country's schoolteachers.

All attempts at compromise failed and although Mr. Hurvitz claimed he had to quit because the pay rise would make it impossible to fight the country's triple-digit inflation, other Ministers alleged that he clearly wanted to bring down the Government.

For some time Mr. Hurvitz has apparently felt that the Government lacked the will to support his proposed tough deflationary budget for 1981-82, which he regarded as essential if he was to have any chance of curbing inflation.

Two airlines plan to cut European fares up to 40%

MY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS and Air France are planning a big expansion of their cheap fare flights in Europe this spring. Cuts of up to 40 per cent in fares are envisaged on many routes.

British Airways has applied to the Civil Aviation Authority for rights to fly its new low-fare, two-class concept from Heathrow to many European cities from April 1.

At the same time, Air France intends to introduce the same concept on many of its routes from Paris to Continental cities.

The concept involves the abolition of first class and the introduction of only two classes—a Business Class or Club Class at the front of the aircraft, at a fare below first class rates but slightly above normal economy class fares, and a tourist class at the back, at fares well below the economy class rate.

The system has been in force on the BA/Air France routes between London and Paris and Nice since April 1 last year, with great success, generating a substantial increase in passenger traffic.

The cheapest fare on the London-Paris route — Euro budget—is £47 return, with conditions on time of travel and length of stay. A Business or Club class single fare is £56, and a tourist class single £43.50.

The aim is to extend this concept, at appropriate fares, to many other routes.

This week, Air France is expected to announce in Paris that it plans to extend the two-class system, with no first class, to all its main trunk routes in Europe, excepting Spain and Portugal, where talks are still in progress.

Later this year, Air France plans to extend the system to North Africa, Algeria, Tunisia and Morocco.

British Airways plans to extend it to Amsterdam and Brussels from April 1, where it already has the approval of the Dutch and Belgian Governments.

BA has applied to the CAA in London for approval to extend it further, to most European routes. In some cases, it is doing this in concert with the relevant flag airline from the other country concerned.

But in some other cases, where there are either objections or difficulties, BA is asking for unilateral approval by the UK, which would ensure that the UK Government supports its case in negotiations with the foreign governments concerned.

This covers flights to Austria, West Germany, Spain and Greece, where BA has encountered some difficulties in getting approvals for its plans.

Broadly, both British Airways and Air France are seeking cuts of up to 40 per cent in fares.

Precise details of all the fares still have to be worked out and approved by the airlines of the Continental countries concerned. In many cases, those countries feel reluctant to join BA and Air France. But some are ready to join the scheme, subject to further detailed discussions.

Both airlines are confident their plans will ultimately be accepted by all the other European airlines. They feel it is the only way to go, in an era of rising costs and traffic recession.

The abolition of first class is dictated by the fact that the number of passengers wanting this standard of service, at high fares, on many European routes has been falling in recent years.

BA argues that less than 3 per cent of its European traffic flies first class, and that it loses money.

Apart from the readiness of KLM and Sabena to introduce comparable schemes on the London-Amsterdam and London-Brussels routes, there is no indication of how the other European airlines will react to the BA and Air France plans.

○ Reform of the long-haul fares structure to such destinations as Japan, Africa, and Central and South America is "vital," says the Air Transport Users' Committee in a study.

The committee, set up some time ago to advise the Civil Aviation Authority on the consumers' interests, argues that "by canny use of cheap fares to Miami and Hong Kong, the knowledgeable passenger can halve the total fare to such places as Tokyo or Rio de Janeiro. The choices are: Tokyo return for £1,459 or £575.14, and a return to Rio for £1,274 or £768.

"Such choices arise because fares on the less travelled routes from Europe to Japan and South/Central America are both too high and too inflexible compared with the high-density North Atlantic routes.

"So the wise traveller buys a cheap ticket in the general direction of his goal and takes a separate flight on another airline from Miami or Hong Kong as the case may be."

More competitive fares, such as Advanced Purchase Excursion rates and Stand-By, should be introduced, along with legitimising the sale of bulk discount fares to all travel agents.

Improved Rolls engine, Page 21

Iran oil exports recover to over 1m barrels a day

BY ANDREW WHITLEY IN WASHINGTON

WAR-BATTERED Iran has successfully restored its oil exports to over 1m barrels a day, in spite of the occupation by Iraqi armed forces of a third of Khuzestan Province, its main oil-producing region, according to petroleum experts here.

The recovery in exports to well above the low point reached before the outbreak of war on September 22 provides the beleaguered Khomeini regime with much-needed revenues of about $1.1bn (£450m) a month, enabling it to hold out longer than earlier anticipated.

This unexpected revival in Iran's fortunes could benefit the negotiations for the release of the American hostages because it lessens the urgency of Iran's demands for the immediate freeing of all its frozen assets. These are estimated by the U.S. Government at $9.5bn and by Tehran at $14bn.

According to yesterday's New York Times, the U.S. has told Iran in its latest proposals communicated through the Algerian intermediaries that it could receive $5.5bn, nearly 60 per cent of the total, on the day the hostages are released. An additional $1.5bn could be available about a week later.

Many American officials are privately becoming hopeful that this time the 14-month-long crisis might finally be resolved.

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before the end of the week. The sense of urgency and drama is heightened by the growing feeling that the incoming Reagan Administration will decide to treat the hostages as prisoners of war and accept only their unconditional release by Iran.

Meanwhile, U.S. analysts monitoring the Gulf war say Iran's much-vaunted counter-offensive of last week had virtually ended by Thursday. Iran is reported to have advanced by only two to three kilometres on the front around the town of Susangerd before the attack was halted.

The prodigious rate at which the combatants have been using up heavy ordnance in the 16-week war has compelled Tehran and Baghdad to seek urgent re-supplies from abroad.

U.S. intelligence men say Iran last week made a fresh approach to North Korea for military supplies, probably shells for Iran's Soviet-supplied heavy artillery.

However, the request is said to have run into an objection by China to overflights by Iranian aircraft. Meanwhile, Iraq is also reported to have made a parallel approach to North Korea for assistance, after the Soviet Union—Iraq's nominal ally in a Friendship Treaty—refused to get directly involved.

Big U.S. bond issues this week

BY IAN HARGREAVES IN NEW YORK

THREE LARGE U.S. industrial corporations plan to proceed this week with major bond issues, amid growing doubts about the potential for a rapid decline in U.S. interest rates from their present near-record levels.

The Aluminum Company of America, Conoco, an oil company, and Tenneco, an industrial conglomerate with oil interests, intend together to issue $650m of 30-year securities.

According to First Boston, these will be the first pure industrial bonds to be floated in New York for four months.

That four-month gap represents the period when U.S. interest rates soared to unprecedented levels for the second time within a year, and scared industrial borrowers out of the market.

But the three companies which announced the issues, say that they need the new funds for their ambitious capital spending plans and that they cannot wait any longer.

They are also, evidently, gambling that the rates they will have to pay now in the markets will still look attractive in several weeks' time—a gamble which indicates their gloomy expectations for interest rates and inflation in the U.S.

Conoco's issue has been priced to yield 13¾ per cent and Tenneco's to yield 13.47 per cent. Alcoa's $150m debenture issue has not yet been priced.

Last week was stormy in the credit markets, in spite of sharp rallies produced by two separate sets of weekly money supply data from the Federal Reserve.

Both sets of figures showed sharp drops in money supply, taking growth of both the M1 A and M1 B aggregates for the year to within the growth ranges set by the Fed. M1 B ended the year at $406.8bn, having fallen $7.1bn in the last four weeks reported.

The Fed has also signalled to the markets that it intends to control tightly the rate of descent of interest rates—a policy which last Friday led one leading New York bank, Chemical Bank, to raise its prime rate from 19½ to 20 per cent.

In spite of the volatility of the bond markets last year, a record was set in the volume of publicly-offered corporate bonds.

According to Salomon Brothers, the Wall Street investment house, $38.3bn of bonds were issued, against $23.7bn in 1979. The figure was well above the previous record of $32.2bn in 1975.

Because of the postponement of many bond issues by industrial companies in the last few months, there is a huge backlog of demand on the sidelines awaiting the best moment to enter the market.

First Boston puts the 30-day visible supply of bonds—which may not all be issued in practice—at $3.6bn.

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Optimism on interest rates cut, Page 20

Japanese buyer sought for Talbot plant

BY RAY PERMON, SCOTTISH CORRESPONDENT

THE GOVERNMENT will try to find a Japanese motor manufacturer to take over the Talbot car plant at Linwood, near Glasgow, if Peugeot SA, the plant's French owner, decides to close it later this year.

The Scottish Office is extremely worried about the future of Linwood, which depends on the willingness of the French management to manufacture a new small front-wheel drive car there. Without it, the plant could close by mid-year.

Mr. George Younger, the Scottish Secretary, and Mr. Alex Fletcher, Scottish Industry Minister, have already met Mr. George Turnbull, managing director of Talbot UK, and want to see senior French management before the decision on the small car is made.

It is understood that they are prepared to promise the maximum financial aid available under government guidelines, as an inducement to the group to make the car in Scotland and to preserve the plant. This could amount to nearly a third of the cost, estimated at £40m for simple retooling or up to £100m if the plant is modernised at the same time.

In spite of the size of the incentive on offer, the Scottish Office believes the chances of Peugeot keeping the plant open

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OVERSEAS NEWS

Turkish junta dismisses central bank Governor

BY METIN MUNIR IN ANKARA

TURKEY'S central bank Governor, Mr. Ismail Hakki Aydinoglu, has been dismissed by the ruling military administration on the eve of a crucial meeting between Turkey and representatives of major international banks in London tomorrow.

Mr. Aydinoglu was removed because he came into conflict with Mr. Turgut Ozal, the powerful Deputy Prime Minister, over the monetarist economic policies the latter adopted to extricate Turkey from its severe economic crisis, according to bankers here.

The last straw seems to have been a series of articles Mr. Aydinoglu wrote for a daily newspaper, in which, for the first time, he delivered a sharp public attack on Mr. Ozal's plan. He also proposed alternative measures.

It was at Mr. Ozal's behest that Mr. Aydinoglu, 48, was dismissed, the bankers said. He had been Governor since October, 1978, and had done a lot to restore the credibility of the central bank in the international banking community.

Mr. Aydinoglu was summoned by Admiral Bulent Ulusu, the Prime Minister, at the weekend. Admiral Ulusu said he had been asked by Gen. Kenan Evren, the Head of State, to tell Mr. Aydinoglu that it would be better if he tendered his resignation. He complied.

He will, however, be retained by the Prime Minister as economic adviser. This will probably mean that Mr. Aydinoglu will continue to draw a salary but be required to do nothing—a practice followed by Turkish Governments to neutralise senior civil servants.

Mr. Aydinoglu is expected to be succeeded by Mr. Osman Siklar, a career central bank official, who resigned as deputy governor last year to join a private bank.

Mr. Aydinoglu's dismissal confirms Mr. Ozal as supreme economic planner and shows the generals continue to have faith in his plan.

The generals inherited Mr. Ozal from Mr. Suleyman Demirel, whom they overthrew when they seized power four months ago. Mr. Ozal had served as chief economic adviser to Mr. Demirel. The generals elevated him to the post of Deputy Prime Minister and made him the most powerful Minister in the Cabinet.

The dismissal also indicates that Mr. Ozal will brook not criticism of his policies.

He is confident that if pursued, his measures will normalise the Turkish economy within five years.

Newspapers spurn Red Brigades' ultimatum

MOST of Italy's leading newspapers yesterday refused to yield to the ultimatum which Red Brigades terrorists say would save the life of the kidnapped magistrate, Sig. Giovanni D'Urso, James Buxton reports from Rome. On Saturday, the kidnappers said Sig. D'Urso would be executed if the full text of statements by imprisoned Red Brigades members were not published by 6 pm today.

Strenuous efforts were being made at the week-end to re-establish the unity of Italy's ruling four-party coalition on its stated line of no negotiation with the Red Brigades. It was later learned that Avanti, the official newspaper of the Socialist Party—the second most important coalition member—had said it will publish the communiqués.

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Poll backs Giscard

An opinion poll published by the French magazine Le Point shows President Giscard d'Estaing's standing on the decline but still gives him victory in the May presidential election, with 54 per cent of the final vote, writes David White in Paris.

Reagan fills key Treasury post

BY DAVID BUCHAN IN WASHINGTON

A CHICAGO banker and economist of conservative, monetarist bent, Mr. Beryl Sprinkel, 57, has been chosen to fill the key post of Treasury Under-Secretary for monetary affairs in the new Reagan Administration, it was confirmed yesterday.

His appointment, along with other important second and third-tier economic policy job selections in the Reagan team, is expected to be announced this week.

The appointment of Mr. Sprinkel will assure foreign countries that the U.S. is taking international monetary affairs seriously. This is not so much because of Mr. Sprinkel's reputation, which is largely within the U.S., but simply because his key post has been left vacant for the last nine months of the Carter Administration.

The current Administration never replaced Mr. Anthony Solomon at the Treasury monetary affairs slot, which he left last spring to take up the presidency of the New York Federal Reserve Bank.

Officials believe the U.S. was lucky not to have had to weather a currency crisis during this vacancy. The two main responsibilities of the Treasury Under-Secretary—Federal debt management and international financial policy—were somewhat clumsily split between two Treasury officials, Mr. Robert Carswell, and Mr. Fred Bergsten, with other duties.

Other appointments expected this week are the assignment of Mr. Norman Ture and Mr. Paul Craig Roberts to tax and economic policy jobs at the Treasury, and Mr. Myer Rashish and Mr. Robert Hormats to run economic and business affairs at the State Department.

A number of these men are conservatives well in the Reagan mould, but their appointments reflect the President-elect's desire to bring experienced pragmatism into his Government.

Mr. Hormats, for instance, has served continuously in government since the Nixon Administration, and his present job is deputy trade representative under President Carter.

One contender for the Treasury monetary affairs slot had been Mr. Lewis Lehrman, but his strong views on bringing the U.S. back on the gold standard were eventually considered too radical by top Reagan aides.

Mr. Reagan has still not filled the chairmanship of his Council of Economic Advisers. By contrast, this was the first major slot that President Carter filled—with Mr. Charles Schultze, the liberal economist—as he took office.

The strong implication—which the Reagan team has not dispelled—is that Mr. Reagan feels, with his policy broadly set, that he has less need of a top-level economic theoretician at the Council.

Except for Mr. David Stockman, a radical conservative, as budget director, the top Reagan appointees are so far more in the managerial, than philosophical mould.

This is certainly the case with Mr. Donald Regan, the ex-head of the Merrill Lynch stockbroking firm, who is to become Treasury Secretary.

Mr. Sprinkel has been with the Harris Trust and Savings Bank in Chicago since 1952.

RESOLUTION of a key dispute between Democrats and Republicans on the U.S. Senate Foreign Relations Committee has paved the way for the speedy confirmation of Mr. Alexander Haig as Secretary of State, writes David Buchan in Washington. The Republican majority on the Foreign Relations panel has agreed to support the Democrats' quest for summaries of some 100 hours of taped conversations in 1973 between President Nixon and Mr. Haig, to judge whether these are needed to judge the latter's qualifications.

In return, Democrats have promised not to put off a Senate vote on Mr. Haig's confirmation if there were a delay, as is probable, in obtaining the summaries or the tapes themselves. Thus, the controversial ex-General stands a very good chance of entering office along with President-elect Ronald Reagan on inauguration day, January 20.

Paris sends troops to Africa

By David White in Paris

FRANCE HAS begun sending troops to the Central African Republic, fulfilling a pledge made to its African allies in the aftermath of Libya's intervention in Chad.

An infantry company of about 200 men was reported to have been flown to join a 850-strong French force in Bangui, the Central African capital, and the Bouar military base near the Chad border.

Two other companies from France's special overseas intervention force were expected to be flown out yesterday. Further reinforcements, perhaps including more Jaguar fighter bombers, are expected over the next few weeks.

Reuter adds from Abidjan: President Siaka Stevens, of Sierra Leone and chairman of the Organisation of African Unity, has called for an urgent summit of the 50-nation body to discuss the controversial plan for a merger between Libya and Chad, Accra Radio reported yesterday.

Iran to give hostage reply 'this week'

BY TERRY POVEY IN TEHRAN

THE IRANIAN Government is to reply within two days to the latest U.S. proposals to end the 14-month-long hostage crisis, one of Tehran's principal newspapers reported yesterday. Last Saturday, a member of Iran's negotiating team said their reply would be made before Friday.

Islamic Revolution, published daily by President Abulhassan Bani-Sadr, quoted a highly placed official as saying: "The Iranian Government has substantially accepted the recent Algerian Government's proposals in connection with resolving the hostage problem and our final answer will be given by Tuesday."

On Saturday, Mr. Ahmad Azizi, one of Prime Minister Mohammed Ali Rajai's aides, who has played a key role in the negotiations, said the "Government's official announcement would be made before the end of this week." Friday, therefore, is being seen as the effective deadline for any agreement with the Carter Administration.

The article in Islamic Revolution appeared to confirm that the latest U.S. proposals contained no significant concessions in substance over and above those offered in December.

Countering the generally optimistic mood in Tehran, however, Dr. Hassan Ayat, a prominent member of the dominant Islamic Republican party and one of its most hardline members, said yesterday that the hostage affair would not be over during President Carter's term of office which ends on January 20. Dr. Ayat may only be reflecting, however, the views of that significant minority within the party which composes any settlement short of the full $24bn claimed by Iran before Christmas.

In what is seen as a reply to recent criticism of the regular armed forces President Bani-Sadr said yesterday that "the people must decide if they want to continue the war. If not, then we should tell Sadam Hussein that he was right to attack us."

IHT editor goes

Mr. Mort Rosenblum has been dropped as editor of the International Herald Tribune after a row with the publisher Mr. Lee Huebner, writes David White in Paris. He is succeeded by Mr. Walter Wells, a Deputy Editor.

Namibia plan hopes

There were slim hopes at the Geneva talks on Namibia last night that South Africa and the main Namibian internal party might accept a March 31 date for implementing the UN settlement plan, writes Michael Holman. This would be in return for a public UN commitment to equality with the SWAPO guerrilla group and an end to financial support for it.

Kielland settlement

Stavanger Drilling has accepted the $62.5m compensation offer from the Norwegian oil insurance pool for the capsized accommodation platform Alexander Kielland, AP-DJ reports from Oslo. Several groups and companies want to buy the platform.

Cabinet shuffle places Nkomo in dilemma

BY OUR SALISBURY CORRESPONDENT

MR. JOSHUA NKOMO, the veteran Zimbabwe nationalist, refused to accept demotion from the Home Affairs Ministry in a Cabinet shuffle at the week-end, plunging the Government into a severe crisis.

Mr. Robert Mugabe, the Prime Minister, announced on Saturday that Mr. Nkomo had been offered the Public Service Ministry in his first shuffle since independence last April. As a sop, Mr. Mugabe also offered to increase the number of ministers belonging to Mr. Nkomo's PF-ZAPU party from four to five in the 27-man Cabinet, and sacked Mr. Edgar Tekere, the outspoken Manpower Planning Minister who is bitterly opposed to Mr. Nkomo.

"I do not see any way of taking this," Mr. Nkomo said and accused Mr. Mugabe in a letter of breaking an agreement that security portfolios would be shared between their parties.

The Home Affairs Ministry controls the paramilitary and civilian police and gives its Minister considerable power. The Public Service Ministry is much less important and its room for manoeuvre is circumscribed by the Lancaster House agreement.

In the shuffle, Mr. Mugabe transferred Mr. Richard Hove, a low-profile ZANU-PF loyalist, from the Public Service to the Home Affairs portfolio. In addition, the Prime Minister appointed his security chief, Mr. Emmerson Munangagwa, to head the 11,000-man national army and expand it to 35,000.

The changes have brought all organs of real state power under the control of Mr. Mugabe's party, which also controls Parliament.

Mr. Nkomo has now called a meeting of his central committee to discuss the shuffle. The prospects are for continuing dangerous tension between the two guerrilla-backed parties.

The choices facing Mr. Nkomo are unpalatable. Should he withdraw from government he will risk a civil war in which the bulk of Africa would be forced to take sides with Mr. Mugabe. Even if a withdrawal from government goes smoothly, Mr. Nkomo is well aware that opposition groups in Africa tend to be short-lived, particularly those, like PF-ZAPU, with a minority tribal basis.

Mr. Nkomo: refuses to accept demotion.

But if he accepts the shuffle, there is the danger that young radicals, particularly in his Zipra army, will take matters into their own hands and cause serious unrest. At the same time, acceptance of the demotion would be tantamount to an acknowledgement that he cannot prevent the ZANU-PF from slowly undermining him politically while eroding his military support by absorbing Zipra men into the ZANU-PF-controlled national army.

From Mr. Mugabe's point of view, the shuffle provides an opportunity to appease his own hardliners who think he has been too soft on Mr. Nkomo, and to consolidate his own power and get rid of the troublesome Mr. Tekere.

Mr. Mugabe said Mr. Nkomo had been moved because of public criticism of his handling of the police, while Mr. Tekere needed a rest after being acquitted last month—on a legal technicality—of murdering a white farm manager.

Mr. Tekere's presence in the Cabinet had been both embarrassing and ineffective since the radical Minister spent most of his time at home, venturing into public only to make statements that were both anti-white and anti-Nkomo.

WORLD TRADE NEWS

Italimpianti wins £12m orders

By Rupert Cornwell in Rome

ITALIMPIANTI, the specialist steel plant engineering subsidiary of the IRI-Finsider state steel concern, has won new contracts worth Lire 27bn (£12.5m) to supply high technology equipment to several countries, including France and Canada.

The contracts, especially those in France, are being seen as proof of the Italian concern's ability to break into markets of highly competitive industrialised nations.

Algoma Steel of Canada is ordering a 136 tonne an hour rotating earth furnace, whose air pre-heating system will enable significant energy savings. In France, the special steel group Ugine Aciers has purchased an electronically controlled furnace with a capacity of 60 tonnes an hour, while Italimpianti's West German offshoot Italimpianti Deutschland, will deliver two furnaces to Saudi Arabia's Al Jubail rolling mill company, with capacities of 100 and 140 tonnes.

£14bn to be spent on world railways

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

A TOTAL of £14.2bn is expected to be spent this year by railway authorities in the world outside China, the Soviet Union and other communist countries, according to a survey of world railway investment published today.

The total forecast spending is about 6 per cent more than in 1980, but represents slightly less investment in real terms, after inflation, than in 1980. In contrast, the total investment last year (1980) was almost a third up on the previous year.

Nevertheless, the scale of projects forecast for this year represents an "impressive market" for the world's suppliers of railway equipment, the International Railway Journal says in its annual survey of rail investment.

The world recession, in general, has had little effect on plans for spending on railway systems, except in Britain and in the U.S., according to the survey.

Spending on major rail projects in the U.S. this year is expected to total £1.5bn, compared with £2.615bn in 1980. Despite the drop in spending, the U.S. remains the country with the largest railway investment programme outside China, and other Communist countries. Japan was not surveyed because it has different budget dates.

Spending in the U.S. is expected to cover the purchase of 50,000 freight wagons and 1,000 mainline locomotives. About £418m will be spent on track improvements.

In the rest of the non-Communist world, purchases are expected to include 1,500 mainline locomotives, 53,000 freight wagons and 7,500 passenger coaches.

In Britain, the budget for investment by British Rail has remained frozen at £305.5m, with an extra £105.7m available for long-term continuous welded rail projects.

West Germany is again forecast to be the leading spender on rail projects of the 42 countries surveyed outside the U.S., Japan and the communist bloc, with plans to spend almost £1bn on rail investment over this year.

Plans by the Federal Republic call for £917.9m to be spent on the national rail network. The largest single amount, 23 per cent of the total, is to be spent on track improvements, with £170m to be going on locomotives, passenger coaches and freight wagons.

After the U.S. and West Germany, South Africa is forecast to be the largest spender on railways this year, with a total budget of £874.3m.

In Europe, France has the largest investment programme after West Germany, with plans to spend a total of £827.3m on its railways this year, nearly 18 per cent of which will go on new track, and a further 18 per cent (£148m) on new passenger coaches.

Italy also has ambitious spending plans for new railways (£775m) and expects to spend £774.6m on all rail projects this year, the third highest figure for Europe.

Other countries with plans to spend heavily on new lines include Saudi Arabia (£153m), Brazil (£112m), Taiwan (£72m), Spain (£64m) and Holland (£54m).

New finance for $1.35bn gas pipeline

By Peter Montagnon, Euromarkets Correspondent

ADDITIONAL financing is now being arranged for the $1.35bn Cogasco gas pipeline project in Argentina which has already attracted Fl 1.1bn (£250m) in Dutch export credit finance.

Lloyds Bank International and Amsterdam-Rotterdam Bank are now syndicating three separate facilities worth up to $325m to help finance the construction of an 1,800km pipeline network and related plant needed to exploit recently discovered reserves in Central-Western Argentina.

Two of the facilities are being raised by Gogasco itself, the consortium of Dutch and Argentine companies formed to build and operate the system in which Royal Boskalis Westminster has a 70 per cent stake through its Nacap BV subsidiary.

One is a seven-year facility of up to $165m bearing interest at a margin of ¾ per cent over LIBOR and 95 per cent guaranteed by the Dutch export credit agency NCM.

The other is an $85m, seven-year facility bearing interest at 1¼ per cent over LIBOR until the first stage of the project is completed, expected to be October this year, and 1¼ per cent thereafter. The facility is unguaranteed and may be extended for an extra year.

The third facility is a $75m standby credit with a margin of 1½ per cent over LIBOR over seven years being raised by Nacap with a Boskalis guarantee to meet any additional unscheduled costs.

The facilities are being syndicated on a private placement basis with a limited group of selected major international banks. Other funds for the project are coming from the shareholders of Cogasco, who are providing $85m and estimated cash flow from the project of $410m.

Gas is expected to start flowing through the pipeline by October this year, but completion of the whole project is not scheduled till 1983.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

U.S. and Algeria to resume talks on gas price dispute

BY PAUL BETTS IN NEW YORK

U.S. AND Algerian officials are expected to resume negotiations today to seek a compromise resolution to the protracted dispute between the two countries over Algerian supplies of liquefied natural gas (LNG) to the U.S.

The row is centred on the price the Algerians want to charge for their liquefied gas. The U.S. has so far vigorously opposed any major increase in Algerian gas prices as it fears such a move would inevitably have an impact on the price of Canadian and Mexican gas. Canada and Mexico are at present the largest U.S. gas suppliers.

Although past discussions between the two countries failed to provide the basis of a settlement on the price dispute, there are now signs that the Algerians may adopt a more conciliatory and less hardline approach to the latest round of talks.

Algeria has already indicated it was prepared to reach a settlement with France on a similar issue. The North African country has recently seen its revenues from hydrocarbon production and exports drop sharply and appears to be hard pressed to stop the decline.

The latest talks between Algeria and the U.S. will affect in particular the El Paso gas company of Houston, which operates one of the largest natural gas pipeline systems in the U.S.

El Paso had originally entered into an agreement with the Algerians whereby it would receive up to 1 billion cubic feet of Algerian gas a day. But deliveries of the Algerian gas were suspended last year because of demands by the North African country for a substantially higher price for its gas based on the argument that gas prices should be aligned with the price of crude oil.

But the U.S. Government, fearing similar demands from Mexico and Canada, authorised El Paso to buy Algerian LNG at $1.95 per million British thermal units (BTU) while Algeria has demanded $6 per million BTUs. A compromise, however, could now be reached on the basis of a price of around $4 to $4.5, according to some industry analysts.

Suspension of LNG deliveries from Algeria have sharply hit El Paso's earnings lately. But Mr. Travis Petty, El Paso's chairman, told New York analysts he was optimistic that the price impasse between the two Governments would shortly be resolved.

But he added that, in the unlikely event that the dispute was not resolved and El Paso was forced to discontinue its Algerian project, he estimated the company would have to make a write-off in the range of $375m "using a relatively conservative set of assumptions."

Growth slows in French electronics industry

BY TERRY DODSWORTH IN PARIS

FRANCE'S electrical and electronics industry, singled out in the Government's industrial strategy as one of the country's main growth sectors, suffered a reverse in its trading position last year.

According to preliminary figures, imports rose more quickly than exports in 1980 to leave the country with a positive balance on its electrical trading of only FFr 7bn (£648m), compared with FFr 7.3bn in 1979. While total turnover rose by 14 per cent to FFr 107.4bn, the industry had to be content with a meagre 3.3 per cent growth in volume sales.

The figures were undoubtedly disappointing, following the big Government-backed effort in the past few years to develop the electronics and information treatment industries. Far from expanding its labour force, one of the prime targets for the authorities, the industry has shed 2 per cent of its workers.

This relative stagnation in the industry's performance is put down to the combination of an internal market troubled by the fall in consumption, along with increased foreign competition.

Paris and banks provide 66% finance for India deal

BY OUR PARIS CORRESPONDENT

THE FRENCH Government is combining with two leading State banks to provide more than two-thirds of the finance for a $1.5bn (£625m) aluminium contract in India won by Pechiney Ugine Kuhlmann.

Aluminium Pechiney, one of the main subsidiaries of the PUK group, has been asked by the State-owned Indian National Aluminium Company to provide the technical know-how for an ambitious project based on developing the Panchpatmali bauxite ore reserves in Eastern India.

The French company is to advice on open cast mining, conversion of bauxite to alumina and the electrolytic reduction of the alumina to produce primary aluminium. It has been asked to supply all the basic engineering.

PUK said yesterday that the French Government finance for the project will amount to $400m, half in the form of export credits, and the other as Government-to-Government loans. A further $680m is to be loaned by Banque Nationale de Paris and Société Generale, with the balance coming from the Indian Goverment.

SHIPPING REPORT

Dry carrier market weaker than expected

By Our Shipping Correspondent

THE dry bulk carrier markets have started the New Year in a weaker state than expected before the holiday period. In the Far East, in particular, there has been a shortage of business.

The key U.S. Gulf/Continent grain rate has fallen by a couple of dollars to about $21 a tonne and the U.S. Gulf/Japan rate is $4-$5 a tonne down on the mid-December rates of $34 per tonne.

The only buoyant feature of the dry cargo markets is the coal trade. With 123 coal ships waiting outside Hampton Roads and another 35 outside Baltimore for periods of up to two months, the heavy congestion now being aggravated by severe weather conditions is underpinning the market.

Galbraith Wrightson report that the iron ore trades are very quiet, with preliminary figures showing a 4 per cent drop in world steel output in 1980 with worse to come in the current year.

The tanker market has started the New Year in dismal form.

Japan cars take 14% of Swedish market

BY WILLIAM DULLFORCE IN STOCKHOLM

JAPANESE cars increased their share of the Swedish market from 10 to 14 per cent in 1980, while total sales of new cars plunged to their lowest level since 1967.

According to preliminary figures released by the Swedish Car Wholesalers' Association, 192,000 new cars were registered in Sweden last year. This is 11 per cent lower than in 1979 and some 130,000 less than the 321,000 sold during the peak year, 1976.

The domestic car makers, Volvo and Saab, both sold fewer cars last year but defended their market shares well, Volvo increasing its share from 25.9 to 26.3 per cent and Saab rising from 14.3 to 14.6 per cent.

But of the foreign manufacturers, only the Japanese were able to sell more. Ford sold only 16,000, a drop of 29 per cent from 1979 and a decline in market share from 10.6 to 8.4 per cent, while General Motors' sales slipped by almost 20 per cent to 18,200 and 9.5 per cent of the market.

Among the European manufacturers, Volkswagen (including Audi) saw sales dip by about 1,800 and actually increased its market share slightly to 11.8 per cent. Renault's sales tumbled by 26 per cent to 4,550 while Peugeot sold 3,600 or 16 per cent less than in 1979.

In contrast, Toyota boosted sales from 5,389 to 8,705 cars for a 2 per cent increase in market share, while Datsun sold 4,951 cars or 450 more than in 1979.

Reuter reports from Tokyo: Japan has formed an export cartel of machine tool exporters to West European countries for one year in order to lessen trade friction prior to consultation with the EEC Commission here this month, the Japan Machine Exporters Association said yesterday.

The cartel is to set minimum export prices for numerically controlled machine tools and machining centres sold to the 10 EEC countries and five other West European countries.

Machine tool exports to Western Europe rose sharply to $245m in the first 10 months of 1980, more than double the $119m in the same period of 1979.

World Economic Indicators

TRADE STATISTICS

		Nov. '80	Oct. '80	Sept. '80	Nov. '79
UK £bn	Exports	3.960	3.843	3.885	3.760
	Imports	3.505	3.384	3.462	3.835
	Balance	+0.455	+0.459	+0.423	−0.075
Japan U.S.$bn	Exports	10.830	11.530	11.463	8.396
	Imports	10.270	10.763	9.514	9.664
	Balance	0.560	0.776	1.949	−1.268
U.S. $bn	Exports	18.434	19.088	18.701	17.004
	Imports	19.422	20.060	19.465	18.422
	Balance	−0.988	−0.972	−0.764	−1.418
Germany DMbn	Exports	[illegible]	32.0	29.4	28.7
	Imports	28.4	30.3	29.4	27.2
	Balance	+0.4	+1.7	+1.6	[illegible]
		Oct. '80	Sept. '80	Aug. '80	Oct. '79
France FFr bn	Exports	42.160	40.928	40.752	37.422
	Imports	[illegible]	46.358	44.770	40.294
	Balance	[illegible]	−5.430	−4.018	[illegible]
Italy Lire bn	Exports	5.167	5.308	4.951	5.763
	Imports	[illegible]	7.733	6.590	5.752
	Balance	−2.344	−2.425	−1.639	+0.011

Seamen's action will damage the economy less than in 1966

INDUSTRIAL action by Britain's seamen is likely to be far less damaging immediately to the economy than was the case with the seamen's strike in 1966, although 95 per cent of UK trade (by weight) goes by sea.

The balance of payments is far healthier and North Sea oil has reduced greatly the economy's reliance on imports. Oil stocks are relatively high.

UK ships carry a much smaller proportion of UK trade than in the 1960s. In 1979 Britain exported 96m tonnes by sea, of which 33 per cent was carried in British ships. This compares with 47 per cent in 1970.

In terms of tonne-miles, the decline is even more marked, with British ships carrying only 27 per cent of exports, compared with 58 per cent in 1970.

Traditionally, British ships have carried proportionately less of imports. Their share (by weight) slipped from 31 per cent in 1970 to 27 per cent in 1979.

Liberian and Norwegian tankers together, for example, carry more oil in and out of Britain than UK ships. There will not be any immediate shortages provided British vessels are not blocking specialist oil terminals.

However, industrial action could soon make itself felt in a number of key areas.

● Roll-on/roll-off ferries: the majority of manufactured exports to Europe go by ferry on the short sea routes between the UK and the Continent.

Industrial action at the ports of Felixstowe, Dover, Hull and Harwich could disrupt traffic seriously. A few foreign ferry services serve UK ports, but they could not cope if all the traffic was diverted.

● Containers: a large part of general cargo trade is carried by container. This is much more efficient, but it makes the country much more vulnerable to strike action.

In the old days, ships could divert to any of the 100 or so UK ports. Now the majority of containers are handled at specialised facilities in London (Tilbury), Liverpool, Southampton, Felixstowe and Greenock.

The main UK container shipping companies, OCL, ACL and ACT(A) are expected to be the target of unpredictable industrial action.

Containers can be transhipped at Continental terminals, but will have to be brought into Britain by the ferries that face similar disruption.

● Coastal traffic: about a third of the 384m tonnes of traffic going through the ports is accounted for by coastal ships and the majority of these are British.

Movements of petroleum up and down the coast account for more than three-quarters of the trade. Coal, mainly for London's power stations, accounts for another 10 per cent.

Industrial action could soon disrupt these services. The road and rail services could not handle much of the extra traffic.

● North Sea: about half of the supply boats serving the oil rigs in the UK North Sea sector are foreign. Nevertheless, action by UK supply boat seamen and men operating other offshore services such as diving support ships could hit the oil companies.

The General Council of British Shipping, the shipowners' trade association, says the effects of any strike action will have much more impact on the fortunes of UK shipping companies than on the economy.

The British fleet has fallen sharply during the recent shipping recession. A prolonged dispute could weaken many companies' financial position and lead to forced ship sales, a failure to order ships and possible bankruptcies.

UK ships are among the biggest "invisible" earners. In 1978 they earned revenues of £3.2bn. According to the latest GCBS figures they make a net contribution to the balance of payments of £842m.

One of the most difficult areas to gauge the impact of any industrial action is on the plans of foreign owners who operate ships under the British flag.

According to the GCBS two-fifths of UK flag ships are owned by foreigners. If UK seamen stage a long period of industrial action, some of these ships may be transferred to flags of convenience registers such as Liberia or Panama.

FT reporters William Hall, John Griffiths and Martin Dickson consider the potential effect of the dispute on sectors of British industry and on the economy

Oil industry could be hit in two ways

A PROLONGED seamen's strike could have a substantial impact on British oil imports and exports, but oil companies were uncertain last night how quickly and how badly they might be affected.

About one quarter of both oil imports and exports are carried in UK-registered tankers. Britain is theoretically self-sufficient in oil, but it exports a substantial proportion of its light North Sea crude and imports heavier oils needed for refinery blending.

Some estimates suggested it could be up to two weeks before the strike produced significant supply constraints. Much depends on how vigorously the seamen enforce their stoppage.

The oil industry could be hit in two major ways:

● The freezing of deep-sea vessels in UK ports and the same action selectively overseas could immobilise a considerable number of tankers.

British Petroleum, the UK's largest tanker operator, said yesterday none of its tankers were in British ports. "We are just waiting to see how things develop."

BP has more than 50 UK-registered tankers. Shell has 41—the largest single element of its 110-strong fleet.

● Lightning strike action involving coastal shipping could hit vessels going to and from refineries. It might affect North Sea production if it involved supply and support vessels servicing offshore oil platforms.

UK-registered tankers which load oil from North Sea fields without pipelines to the shore could also be hit.

The union has refused to reveal the names of the 14 companies which it says have been the "hawks" in negotiations so far and who are to take the brunt of industrial action by British seamen in foreign ports.

The following companies, however, are listed as those which have significantly reduced overtime and which the union would expect to be more able to meet its demands through savings on wage costs:

Blue Star Line	Reduced overtime by 5 to 6 hours pw
Denholm Maclay	Reduced overtime by 5 hours pw
H. J. Harrison	Reduced overtime by 9 hours pw
Ellermans	Reduced overtime by 12 hours pw
Royal Fleet Auxiliary Service	Reduced overtime by up to 18 hours pw
Furness Withy	Reduced overtime by 5 hours pw
Stag Line	Reduced overtime by 7 hours pw
Ben Line	Reduced overtime by 5 to 6 hours pw
Ugland	Reduced overtime by 7 hours pw
Christian Salvesen	Reduced overtime by 10 to 11 hours pw
Pan Ocean-Anco	Reduced overtime by 23 hours pw
Houlder Line	Reduced overtime by 5 hours
Cunard	Reduced overtime substantially too

Motor industry assesses implications

THE MOTOR industry last night was still trying to assess the likely impact of the seamen's dispute. With many UK car and truck plants on short time, it was felt the dispute would have to be prolonged before its effects became serious.

The potentially most vulnerable manufacturer is Ford, which treats Europe as one market. It produces common cars at its UK and Continental plants, and on any given day has up to 12,0000 tonnes of components moving around between plants.

It has tried to minimise the risk of disruption by a comprehensive dual sourcing policy but still depends on a single source in some cases.

Ford UK also dispatches three train-loads of components per day to European plants by Harwich-Zeebrugge ferry services, which are likely to be disrupted by the seamen's selective action.

Both UK and Continental plants could continue to build some models in the Escort and Cortina ranges entirely with domestically sourced components.

BL and its truck and bus arm, Leyland Vehicles, said last night there was no "immediate concern" over the dispute. Most affected is likely to be LV, which exports about half its output. A spokesman said the dispute would have to last several weeks before the company was likely to be badly affected.

Shortlist drawn up for Times titles

BY JOHN MOORE

A SHORTLIST of about six possible buyers for The Times, its three supplements, and the Sunday Times has been drawn up by the Thomson Organisation and S. G. Warburg, its UK banker.

More UK news, Pages 20, 21

Interest was shown in the newspapers by more than 30 companies.

Delicate negotiations are under way between the various parties on financial terms and other issues affecting employees, readers and the national interest.

By the end of this month it is expected that any potential buyer will have to enter into negotiations with the unions. The buyer would then be named.

So far it is understood that the Thomson Organisation has not indicated what price it is seeking from a potential bidder.

The financial parameters for discussion, other than the financial information indicated in a confidential memorandum prepared by S. G. Warburg, advising the Thomson Organisation and issued to some interested concerns, have not been laid down.

An important consideration in the disposal by the Thomson Organisation is the policy and responsibility of the buyer.

The deal eventually struck with print unions by a purchaser will also have a major effect on the price.

Over the weekend, Mr. Rupert Murdoch, chairman of News International which publishes The Sun and the News of the World, said he was still considering making a bid for Times Newspapers, but formal negotiations between his group and the Thomson Organisation had not yet begun.

Speaking from Washington, Mr. Murdoch told BBC radio's *World this Weekend* programme that it was possible his original interest in the Sunday Times may extend to all the Times Newspapers titles.

He said: "We are still studying the figures that have been put to us and are asking for other figures. We might be making a bid and are considering it." He stressed that any discussions would "involve negotiations with the unions."

Asked whether he found the initial figures attractive he said it depended on "what is behind them before coming to any conclusion."

If Mr. Murdoch were to take over The Times and the other titles he has no plans to implement major changes in their character.

"You would not dream of changing them at all," he said.

Joseph splits up industry portfolios

SIR KEITH JOSEPH, Industry Secretary, has introduced a new division of responsibility between his Ministers of State following last week's ministerial reshuffle. His two deputies will now have responsibilities in both the private and public industry.

Mr. Kenneth Baker, who as a backbencher was pressing the Government for more intervention in industry, is broadly taking over Lord Trenchard's responsibilities for the private sector. He will be responsible for such problematic industries as textiles, footwear and chemicals as well as engineering.

He is also taking over responsibility for information technology, and will thus be directly involved in the public sector. Both the Post Office and the Government's emerging public purchasing policy are part of this portfolio.

Mr. Norman Tebbit, the rightwinger who has been moved from the Department of Trade to Industry, will carry most responsibility for the public sector. Steel, shipbuilding and the National Enterprise Board will all be part of his portfolio together with inward investment, research and development, applications for aid under the Industry Act and aerospace.

Power workers get new pay structure

A NEW wage structure and staff status agreements for electricity workers has been ratified. Union negotiators claim it is among the best for any manual workers in Britain.

The agreement is backdated to October. It creates five salary bands in place of about 60 different pay rates and more than 100 different job descriptions.

Call for change in tax system

A BIG change in Britain's tax structure has been called for by the National Chamber of Trade in its pre-buget representations to Sir Geoffrey Howe, the Chancellor.

Income tax should be replaced, in whole or in part, by a direct expenditure tax as a step towards a more equitable personal and business tax system, it argues.

Derek Robinson seeks election

MR. DEREK ROBINSON, the Longbridge convener dismissed by BL has been chosen as the Left-wing candidate for the forthcoming election of a full-time officer of the Amalgamated Union of Engineering Workers.

Strike call for Heathrow airport

SHOP STEWARDS representing the 20,000 engineering, maintenance and ramp workers at Heathrow will recommend a 24-hour strike on January 23 at a mass meeting tomorrow.

Pensions move attacked

THE Prime Minister had made an "improper suggestion" by inviting the Scott inquiry on pensions to say whether index linked pensions in the public sector should be scrapped, Mr. Geoffrey Drain, the general secretary of the National and Local Government Officers' Association, said.

Water pay collusion claim

BY JOHN LLOYD, LABOUR CORRESPONDENT

AS RECOMMENDATIONS for industrial action go out to the 32,000 manual workers in the water industry, union leaders claim that the Government has set a public utilities pay norm of between 8 and 9 per cent.

Mr. Ron Keating, assistant general secretary of the National Union of Public Employees, said last night: "We have seen the Water Council and British Gas offer 8 per cent and 9 per cent in the course of last week.

"It is stretching credibility too far to suggest these are independent offers not affected by Government Diktat."

Mr. Keating will send out circulars today to his 10,000 members in the industry recommending industrial action as the only way to increase the council's offer of 7.9 per cent.

This follows the decision by an emergency meeting of NUPE's executive on Saturday to ratify the call for action by the trade union side of the joint industry board last week.

The General and Municipal Workers' Union, with 20,000 members in the industry, and the Transport and General Workers' Union, with between 2,000 and 3,000 will also recommend action in consultations with their members. A joint decision on action will be taken on February 3.

Both Mr. David Basnett, GMWU general secretary, and Mr. Alan Fisher, general secretary of NUPE and president of the TUC, have said that the Government has been involved in setting the pay figure.

Mr. Keating said that he hoped the Water Council would come back to the negotiating table, because the results of a strike could be "horrendous."

"Sir Robert Marshall, the chairman of the Water Council, has talked of a strike being remote. He has misjudgel the situation. There is nothing remote about industrial action in the industry."

Mr. Mick Martin, TGWU national officer for public services, said that resentment had been building up among water workers for some years. "They are aware they have got more power now that the industry has been reorganised," he said.

TUC 'national recovery plan' almost ready

BY CHRISTIAN TYLER, LABOUR EDITOR

AN ECONOMIC manifesto, described by the TUC as its Plan for National Recovery, may be completed by trade union leaders this week.

The TUC's economic committee will have before it on Wednesday the final draft of an alternative economic strategy which in many respects differs from past exercises of this kind.

The TUC publishes an economic review each spring in which traditionally it lists its economic and social demands and suggests what tax changes the Chancellor should make.

But this year the review is addressed less to a politically unsympathetic Conservative Chancellor than to the Labour front bench in the House of Commons. It is also being produced in a much more readable form than usual so that its message has more chance of being carried right across the Labour movement.

Union leaders hope the unpopularity of the Government's economic philosophy will give the TUC alternative a much wider currency than the review normally enjoys.

The essential ingredients of this year's review, which could be published next month, will be the familiar calls for a large increase in public industrial investment and the social services, paid for by North Sea oil and gas revenues.

These ingredients will however be reassembled into a two-part programme—one short range, the other long term—for dealing with the trade unions' chief preoccupation, unemployment.

Meanwhile, two important documents analysing the place of trade unions in modern society are due to emerge this week.

The Government will be publishing its promised review of trade union legal immunities in a Green Paper and the TUC is expected to publish a consultative document for its affiliates on the subject of its own structure, bargaining role and services to subscribers.

The two questions to which the Green Paper addresses itself are whether there should be further restrictions on trade unions' immunity from civil law suits for damages as a result of industrial action they may take against an employer, and whether the law should be rewritten to express positive rights for trade unions instead of negative immunities.

Ford workers 'will accept offer'

BY OUR LABOUR STAFF

LEADERS of the 57,000 manual workers at Ford believe they will vote to accept the company's final wage offer of 9.5 per cent at mass meetings to be held in the next few days.

The first meeting, at the Swansea gear box and axle plant on Saturday, showed a small majority against the offer. But a second meeting, at the Bridgend engine plant, produced a majority in its favour.

Mr. Ron Todd, national officer of the Transport and General Workers Union and the chief union negotiator, said last night: "It appears the men may feel that, at the present time, industrial action is not appropriate and that the majority will accept the offer."

The union negotiators are making no recommendation on industrial action, but are telling workers they do not believe the offer can be improved by further talks.

Dagenham workers will vote in a series of meetings between today and Wednesday. Halewood workers were expected to meet yesterday, but are now likely to hold meetings today or tomorrow.

Jenkin appeals to ambulancemen

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. PATRICK JENKIN, the Social Services Secretary, appealed yesterday to the 400 ambulance drivers in South Yorkshire to end their strike before "lives were imperrilled."

Officials of the Trent Area Health Authority meet today to decide whether to resume negotiations with unions on the bonus scheme which caused the strike.

After the Transport and General Workers' Union and the National Union of Public Employees decided to make the strike official Mr. Jenkin said: "I am appalled that the TGWU and NUPE have decided to give their official backing to the totally irresponsible action of ambulancemen in South Yorkshire who have withdrawn their services.

"The public should know that this dispute has arisen solely because the ambulancemen are refusing to end a bonus scheme, the working of which has become totally unsatisfactory." He said the health authority had "been negotiating patiently for many, many months to enable a new bonus scheme to be introduced in its place."

He added: "The strike has left the people of South Yorkshire without any ambulance service available from the men who are paid to provide it. Only by the combined efforts of ambulance officers, the police and Red Cross volunteers is a skeleton service being maintained.

"Without their help there would be a risk of life being lost."

Mr. David Wild, NUPE area official, said that the strike arose from an attempt by the authority to push through a bonus scheme without adequate union consultation.

Underwriters seek to amend Lloyd's Bill

John Moore explains how a row in the City's prime insurance market will involve MPs

AN INFLUENTIAL group of Lloyd's of London underwriting members is seeking major changes to a private Bill before Parliament which would reform the system of self-regulation at Lloyd's.

The group's pressure for changes has raised fears in the Lloyd's ruling establishment that the Bill might not be enacted in this session of Parliament.

The new legislation, which is being sought by Lloyd's as a matter of urgency to deal with its mounting disciplinary and regulatory problems, could be delayed by a year and not come fully into force until 1983.

A newly-formed association, which seeks to represent the interests of the 15,000 or so members who do not work at Lloyd's, is urging that the Bill should be amended.

If it is not successful in its lobbying in private discussions with Lloyd's authorities including Mr. Peter Green, the chairman, it may invoke the parliamentary petition for private Bills.

This could send Lloyd's legislation into committee for a prolonged period while the changes were discussed and later incorporated.

The new association is under the chairmanship of Lady Janey Middleton, who was a member of the Sasse underwriting syndicate that suffered record losses of £21.5m.

It is lobbying Lloyd's ruling authorities to amend a key clause in the Bill. Clause 11 will give a new Lloyd's council, to be created under the legislation, a blanket indemnity. The indemnity will give the council immunity from liability arising from law suits.

The new association at Lloyd's is arguing that it is unlikely that any similar institution enjoys the type of immunity from legal liability that Lloyd's is seeking to have incorporated in the Bill.

They fear that if clause 11 exists it will not be possible to take action against Lloyd's in the event of abuses taking place in the market.

Members of the Sasse syndicate sued Lloyd's itself in an unprecedented legal action and eventually gained a compromise settlement. Lloyd's agreed that the market should bear over £15m of the syndicate's losses.

If clause 11 had been in force at the time of the Sasse affair, it is unlikely that members of the syndicate would have been able to force a settlement.

Some 16 members of the new council will represent the interests of more than 3,000 working members of the Lloyd's market while just six members will represent the interests of over 15,000 members.

In addition, there are to be three outsiders on the council.

Other lobbies are being formed in the House of Commons and the Lords by interested parties to deal with other aspects of the Lloyd's Bill.

There is some concern about Lloyd's attitude to suspect fraudulent insurance claims.

Some Lloyd's members were hoping that there would be greater definitions of the role and duties of underwriters and brokers where fraudulent claims are suspected. The Bill makes no reference to this issue.

BSC survival plan meets tinplate opposition

BY ROBIN REEVES, WELSH CORRESPONDENT

THE OPPOSITION of Velindre tinplate works to British Steel's survival plan was given full backing by union representatives from the corporation's other two tinplate plants at a Swansea meeting yesterday.

The meeting was of Transport and General Workers Union shop stewards representing some 6,000 of the 8,000 workers in British Steel's tinplate group.

It called on the union to declare official any action Velindre takes to defend jobs.

Velindre works council negotiators are due to meet management today to press their case for the proposals to spread the retrenchment more evenly across the tinplate group and to reduce job losses.

As the survival plan stands, Velindre is to lose some 1,500 jobs, 1,100 among production workers.

A further 1,000 jobs are due to go at Ebbw Vale, but only 110 production jobs at Velindre's neighbouring tinplate plant, at Trostre.

The other two tinplate plants appear ready to go along with the plan.

Mr. Derek Driscoll, a member of the TGWU national executive, who chaired yesterday's discussions, said last week's offer still stood of a pay claim freeze over the next 12 months, in exchange for a recasting of the MacGregor tinplate plan.

Soundings at branch level indicated the men would force the 7 per cent rise next July.

He said the meeting viewed the publicity given to the survival plan agreements initialled at Port Talbot and Llanwern, involving additional redundancies, as an attempt by British Steel to steamroller through its proposals.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A specialist slice of the competitive cake

Paul Betts analyses Sperry Univac's strategy in the shadow of IBM

NOT FAR from the town of Intercourse, Pennsylvania, in a bucolic spot called Blue Bell, the main pastime is not bird or sheep-watching but a curious and highly specialised occupation known as IBM-watching.

Blue Bell houses the headquarters of Sperry Univac, the computer manufacturing arm of the U.S. Sperry Corporation which, with computer systems installed around the world valued at more than $11.6bn, claims to be the second largest computer group after International Business Machines.

Other computer makers, notably Burroughs and Honeywell, have also claimed to be number two. But in common with Sperry Univac, they are all dwarfs in comparison with the IBM giant, and have had to jockey with each other for position to survive in its shadow. In the last two years, they have also had to face a Japanese computer invasion, and may now even experience an onslaught from the "plug compatible" manufacturers who have hitherto concentrated on taking business away from IBM.

The strategies of Sperry Univac, Burroughs, Honeywell and the other "dwarfs" inevitably have a certain amount in common. But there have also been marked differences. There is now a general consensus on Wall Street that Sperry has managed better than the other two; on current performance, this certainly seems to be true.

The most fundamental common characteristic has been the need to watch, and whenever possible anticipate, every move made by the industry's undisputed leader.

Two years ago, Sperry—like IBM's other competitors—was caught with its pants down, when IBM took the industry by surprise when it shattered traditions with the introduction of its 4300 Series of computers. These offered customers considerably more computing power for much less money; the principle had been used before, but never to such a degree. With difficulty, Sperry and the other computer makers were forced to adapt to IBM's revolutionary pricing policies.

Last November, after keeping the industry on tenterhooks for nearly three years, IBM announced its new large 3081 processor, top of a new line code-named the "H" series. But the announcement had nowhere near the disruptive impact of the launching of the 4300 series; although it offered double the computing power as the 3033 — IBM's largest machine until now—this time the price was set well above the previous level.

Sperry Univac's "market segmentation" strategy in action: airline booking and check-in systems were one of the first "segments" in which the company decided to specialise, though the move paradoxically took it into head-on competition with IBM

While acknowledging that any move either on pricing policies or product standards by IBM is bound to have an impact, Sperry claims it is now in a better position than most other leading computer manufacturers to meet the twin challenge from both IBM and the Japanese. "You must remember we have been in the number-two position for many years and we have learnt to live with it," remarks Stu Miller, Sperry Univac's vice-president of market strategy and plans.

Central to Sperry's strategy for at least eight years has been what is known as "market segmentation." This simply means picking out those significant market areas where the company has a product or productive advantage and concentrating specifically on them.

This may have been a well-tried theory of management techniques for some years, and certain companies had been practising it well before 1972. But it was far from widespread in the computer industry, where the traditional approach was to ape IBM's cross-market product line. To Univac, however, such a strategy appeared over-ambitious, with segmentation the only practical alternative. Hence Miller's remark that his company adopted this approach "almost by accident or default."

Sandy Garrett, electronics industry analyst for the Wall Street investment firm of Paine, Webber, Mitchell and Hutchins, confirms the view that Sperry Univac went its own distinct way from IBM before many other large computer makers.

Burroughs, for example, tried for many years to turn itself into a small IBM, copying the giant in many respects and—while specialising in some market segments—notably banking—attempting to compete against it across almost the whole market. This has clearly not worked, Garrett suggests. The company shocked Wall Street in mid-July, when it reported a 12 per cent decline in second quarter net income—its first quarterly earning decline since 1963.

A major re-adjustment has been taking place at Burroughs since Michael Blumenthal, the former Treasury Secretary, took over as chairman and chief executive last September. Early last month Blumenthal announced proposals to make a series of write-offs totalling as much as $125m in a broad change of strategy which will probably eventually transform Burroughs in what analysts describe as a "leaner, thinner and more aggressive company." Under Blumenthal's axe, Burroughs will shed its non-profit-making operations like adding machines and calculators to enable it to concentrate in sectors with greater and faster growth potential.

Conglomerate

Sperry did just that a couple of years ago when it divested itself from the Remington shavers and typewriters business.

Honeywell, too, which in the past had attempted to compete against IBM across much of the market, has also changed its strategy by moving away from the top end of the computer market and focusing more and more on small and medium-sized computers—an approach which analysts consider is beginning to pay off. And both Honeywell and Burroughs are increasingly concentrating on specific customer markets where they can compete effectively and at times even have an edge on IBM.

For Sperry, this strategy has worked so far remarkably well. So much so that the group, which has traditionally been viewed as a diversified conglomerate rather than a computer company, is increasingly relying on the earnings and revenues from its computer operations to enable it, in the words of Paul Lyet, its chairman since 1972, "to double in size during the next five years."

The Sperry group is involved in manufacturing farm machinery through its New Holland subsidiary, as well as aerospace and marine instruments, fluid power products and systems, and defence and military systems through other divisions. But almost half its annual revenues—of nearly $5bn in 1979-80—come from the Sperry Univac computer activities, together with roughly the same proportion of gross income ($507m in 1979-80).

The main thrust of Sperry's computer operations is now focused on the airline business, federal, state and local government markets, the manufacturing sector, and increasingly the expanding energy market, Miller explains. In all these various markets, Sperry has sought to develop specialised packages and tailor its products and systems to specific industry needs.

While continuing to expand its share of the local and state government business which Sperry took over in 1971 when it acquired the bulk of the computer operations of RCA, the diversified communications conglomerate, the company is currently putting its main emphasis on the manufacturing and energy markets. "Basically, we want to be identified as a company which can provide a full service to the manufacturing industry," Miller says. To this end, Sperry has made a major effort to change the nature of its marketing and sales approach. "It is now much more directed to the end user, to people who may not be technological wizards but are in daily contact with a computer," Miller adds.

The introduction of special software for industrial planning and control (known as UNIS) has also helped the company to boost sales of its 1100 series computer family in the manufacturing sector, which is regarded as the largest and most competitive market for the computer industry as a whole.

It was partly with the manufacturing market in mind that Univac moved into the commercial mini computer business four years ago, rather late in the day, by its acquisition of Varian Associates' mini-computer line.

The development of software systems like UNIS emphasises the growing need for computer manufacturers "to place increasing emphasis on service and software operations if they are to retain their competitive edge," Miller claims. One of the reasons for this is that technology is constantly bringing down the price of hardware, so that gross margins on it suffer.

Sperry recently took another important strategic step by setting up in-house manufacturing facilities of semi-conductor components—a key element in computer technology. In its initial stages, the programme will involve a $50m investment to build a semi-conductor manufacturing plant.

But although Sperry's strategic formula seems to have been successful so far, it is increasingly concerned that its dominance in certain specialised markets could be challenged in the near future by rival U.S. and Japanese manufacturers.

"By selecting our markets we worked out a modus vivendi with IBM which has been the main target of the competition," claims Dr. Mike Godfrey, Sperry Univac's director of research. "But it is now becoming more difficult to compete against IBM and some of these competitors may start turning their attention on us," he claims.

Until recently, IBM has been the main target of the so-called plug compatible manufacturers, which produce machines that run on IBM software but are cheaper than IBM computers. But, IBM has recently made it much harder for rival computer companies to use its latest software. To a large extent, it has done this by introducing licensing contracts for software and services on its more recent equipment which restrict their use to IBM hardware. "This has meant that plug compatible manufacturers are having to invest more in developing their own software, or in some cases start looking in other directions including, I fear, Sperry," says Godfrey.

Conservative

But what puzzles industry analysts most about Sperry Univac at present is why it has not set its growth sights higher. "The company appears happy to go for annual growth targets of 15 per cent when most of its competitors are looking for much higher rates," says Sandy Garrett of Paine, Webber, Mitchell and Hutchins. In view of the high growth potential of the electronics industry as a whole, Sperry's medium to long term targets clearly look conservative, to say the least. IBM's own growth targets are set at around 15-20 per cent a year.

Although Wall Street is confident that Sperry can meet its targets quite comfortably, it claims that in so doing the company could risk losing market share to its competitors in the longer run.

"If one were to criticise Sperry, I suppose you could say it was not aggressive enough," comments Garrett. But the policy so far appears to have paid off better in terms of steady earnings growth than those of Sperry's direct rivals.

Management abstracts

These summaries are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £2.50 (inc. VAT and p+p; cash with order) from: Anbar, PO Box 23, Wembley, HA9 8DJ.

New Venture Assessment for Small Firms. M. Byrnes in Management (Eire), Aug 80: p.24 (4 pages, illus.).

Outlines a procedure for assessing the feasibility of new ventures; advises on the analysis of activities to indicate required managerial skills; stresses the need for organisational flexibility to allow for growth and market/ policy changes.

Strategic Information. D. W. Mitchell in Managerial Planning (USA), Jul/Aug 80: p.7 (4 pages)

Argues that company decline is often caused by management's lack of strategic information (i.e. the information necessary to identify new opportunities, amend errors and be warned of competitive / environmental changes), which can lead to unplanned, reflex action; draws on examples from named companies; describes how an information programme should be established.

Integrating Strategic and Manpower Planning. G Robinson in South African Journal of Business Management (South Africa) Vol II No 2; p.54 (8 pages, charts, table)

Examines the role of manpower planners in the strategic planning process; describes stages in the strategy formulation process, and suggests how manpower planners can contribute at each stage.

Pre-Retirement Training. W. R. Bruce + others in The Training Officer (UK), Aug 80: p.210 (5½ pages)

Describes the content of training courses for people approaching retirement offered by named organisations, discusses the need for such training, and gives the views of a training manager on planning and organisation.

Treasury Management. J. A. Donaldson in The Accountant's Magazine (Scotland), Sep 80: p.359 (3 pages)

Explains how the need for greater professionalism in company treasury management has evolved out of the growing internationalism of big business and out of the freeing of exchange controls: describes the role of treasury managers in cash management, foreign currency exposure management, and in financing operations; outlines the skills and experience they require.

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FINANCIAL TIMES

Eurobond Quotations and Yields

AIBD The Association of International Bond Dealers

AT DECEMBER 31 1980

The Association of International Bond Dealers (AIBD) compiles current market quotations and yields for Eurobond issues. These quotations and yields are published monthly by the Financial Times. The Association's prices and yields are compiled from quotations obtained from market-makers on the last working day of each month.

There is no single stock exchange for Eurobonds in the usually recognised sense—secondary market trading business is done on the telephone between dealers scattered across the world's major financial centres.

Membership of the AIBD (which was established in 1969) comprises over 550 institutions from about 30 countries.

Eurobonds in December

BY OUR EUROMARKETS STAFF

THE CLOSING WEEKS of 1980 failed to bring joyful tidings in the Eurobond markets. As U.S. interest rates soared to historically high levels—the U.S. prime rate reaching 21½ per cent on December 19 and short-term Eurodollar rates climbing above 23 per cent—bond dealers were left with little option but to square their books. The cost of carrying paper had become so high that any mistake was dearly paid for.

As Christmas drew nearer only a handful of major U.S. investment houses and a few European ones were willing to make a market, at least in the dollar sector.

The surge in U.S. interest rates and the subsequent fall in the Dow Jones index spelt more *difficult days for the "Wunderkind"* of recent months: the dollar convertible. Quite a few were pulled in the middle of the month; some were cut in size, others went ahead and fell to steep discounts as soon as they reached the open market.

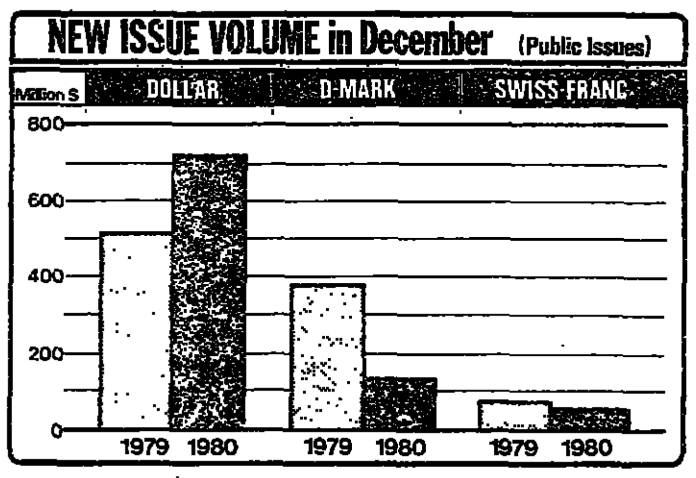
The second most important sector of the Eurobond market came to a virtual standstill. The moratorium imposed on new foreign D-mark issues last November was confirmed by the Capital Markets Sub-committee in December as the trading of seasoned issues fell to a trickle.

Swiss Franc bonds fared better, as the country's low payments deficit and still very moderate inflation rate has left investors less anxious about holding Swiss Franc paper than that denominated in D-marks. French new issue managers *had their busiest month* ever in December with four new issues completed. Three of these, however, failed to elicit much enthusiasm from investors.

The only fully successful issue was for Charbonnages de France, which was eventually increased by FFr 50m to FFr 400m by lead manager Banque de l'Union Europeenne. By the middle of the month, however, investors found it hard to resist the attraction of high dollar interest rates and the other three issues—A FFr 100m convertible for Daiei, a FFr 125m straight issue for La Redoute and a FFr 300m straight issue for EIB—proved too much for the market to consume. A total of FFr 925m was issued during the month, the highest monthly total on record.

Nor was it a particularly happy month in the sterling sector. As usual, sterling bonds followed the gilt-edged market—down in this instance. Because of these unsettled conditions the proposed domestic sterling bond for Gaz de France had to be cancelled yet again.

The difficult times experienced by many dealers in the dollar sector last month should not, however, conceal the fact that—at least for the first two weeks of the month—a number of investors were steadily nibbling away at *seasoned fixed interest* dollar bonds. Many such investors, particularly those based in Continental Europe, have no intention of missing what many of them feel could be a strong bull market early this year.



They missed the quick turnaround in the market which occured after Easter, 1980, and do not want to be caught on the wrong foot a second time. Their faith is underpinned by the belief that President-elect Ronald Reagan will fight inflation with greater determination than President Jimmy Carter and by the knowledge that the chairman of the Fed. Mr. Paul Volcker, will continue in office under the Republican Administration.

Those who opted for convertibles had the luck of the draw. Some went very well, such as the 8 per cent issue to 1995 for Bow Valley, while others fell heavily after they were issued because of the decline of the underlying stock. Some issues were pulled—Color Tile and Anacomp—and others were cut. Newmont Mining produced a premiere of sorts when the lead manager of its issue, Kidder Peabody, pulled the issue after allotments had been made to the underwriters.

Other innovations proved more successful, notably the one introduced by Salomon Brothers, first with a Yankee issue for Sweden, then with a fixed interest dollar bond for Credit National. Warrants attached to each bond allow investors—for a few months after the issue is launched—to convert into new bonds at the same price, which mature later (one year later in the case of the Yankee issue for Sweden, five years in the case of the issue for Credit National). *Investors were invited to take* a gamble on interest rates falling and they did. Three days after the issue for Credit National was announced it was trading well above par.

In the D-mark sector, the few issues which were launched in December, notably a DM250m issue for the World Bank, held *up rather well in the secondary* market, for two reasons.

The first was that they offered coupons at the highest level seen in this sector for good quality paper. The second was the moratorium on new issues which resulted in a shortage of new paper coming on to the market.

Meanwhile, trading virtually closed down the week before Christmas with bankers wondering what 1981 would bring. Not much more comfort than 1980—maybe even less seemed to be the consensus.

CONTENTS

The table of quotations and yields gives the latest rates available on December 31 1980. This information is from reports from official and other sources which the Association of International Bond Dealers considers to be reliable, but adequate means of checking its accuracy are not available and the Association does not guarantee that the information it contains is accurate or complete.

All rates quoted are for indication purposes only and are not based on, nor are they intended to be used as a basis for, particular transactions. In quoting the rates the Association does not undertake that its members will take in all the listed Eurobonds and the Association, its members and the Financial Times Limited do not accept any responsibility for errors in the table.

COMPILED FOR THE ASSOCIATION OF INTERNATIONAL BOND DEALERS BY INTERBOND SERVICES LTD. ★ A subsidiary of dataSTREAM International

Amount issued / outstanding	Year of issue / Issue price	Borrower	Coupon	Maturity		Price	Yield to maturity / average life	Current yield
		US DOLLARS-ALGERIA						
25	1977 / 100.00	BQUE EXT D'ALGERIE	9.00	15/ 8/1982		90	16.39	10.00
		US DOLLARS-ARGENTINA						
50	1979 / 98.50	ARGENTINE REPUBLIC	9.875	1/ 8/1984		97 7/8	14.39	11.24
		US DOLLARS-AUSTRALIA						
30 / 4.2	1963 / 97.50	AUSTRALIA,COMMONWEALTH	5.00	1/ 4/1983	S	85 1/2	12.99 / 19.32	5.93
30 / 2.5	1962 / 98.25	AUSTRALIA,COMMONWEALTH	5.50	15/ 1/1982	S	91	15.19 / 21.64	6.14
30 / 3.3	1962 / 97.50	AUSTRALIA,COMMONWEALTH	5.50	1/ 7/1982	S	90	13.49 / 21.61	6.20
25 / 2.8	1962 / 99.00	AUSTRALIA,COMMONWEALTH	5.50	1/10/1982	S	89 1/2	12.72 / 18.14	6.24
25 / 7.0	1965 / 99.50	AUSTRALIA,COMMONWEALTH	5.50	1/ 5/1985	S	85	10.07 / 13.58	6.58
25 / 7.0	1965 / 99.75	AUSTRALIA,COMMONWEALTH	5.75	1/11/1985	S	8[illegible]	10.25 / 13.02	6.96
25 / 7.8	1967 / 97.50	AUSTRALIA,COMMONWEALTH	6.50	15/ 6/1982		90 1/2	14.09 / 15.33	7.18
100	1977 / 100.00	AUSTRALIA,COMMONWEALTH	7.50	1/ 9/1984		84 1/2	13.05	8.88
350	1979 / 100.00	AUSTRALIA,COMMONWEALTH	8.00	1/ 4/1982		93 3/4	13.08	8.53
125	1978 / 99.85	AUSTRALIA,COMMONWEALTH	8.125	15/11/1983	S	88 5/8	13.41	9.38
75	1976 / 100.00	AUSTRALIA,COMMONWEALTH	9.25	1/ 6/1981	S	97 1/2	15.13	8.64
120	1976 / 100.00	AUSTRALIA,COMMONWEALTH	8.25	1/10/1983		89 1/8	13.17	9.26
125	1977 / 100.00	AUSTRALIA,COMMONWEALTH	8.25	1/12/198[illegible]	S	86 1/8	13.28	9.81
150 / 150.0	1977 / 100.00	AUSTRALIA,COMMONWEALTH	8.25	1/ 6/1992		75 3/4	12.24 / 13.52	10.99
175	1975 / 100.00	AUSTRALIA,COMMONWEALTH	8.45	1/ 6/1983	S	90 3/4	13.45	9.53
120	1976 / 100.00	AUSTRALIA,COMMONWEALTH	8.50	1/10/1996		83 5/8	12.65	10.16
50	1975 / 100.00	AUSTRALIA,COMMONWEALTH	8.75	15/ 6/1983	S	91 1/8	13.51	9.83
30	1976 / 99.63	AUSTRALIA,COMMONWEALTH	8.75	1/ 6/1986	S	85	13.05	10.56
60 / 60.0	1976 / 99.50	AUSTRALIA,COMMONWEALTH	8.75	1/10/1991		80 3/4	12.02 / 13.24	10.84
100 / 100.0	1977 / 98.28	AUSTRALIA,COMMONWEALTH	8.875	1/12/1997	S	75	12.94 / 13.96	12.18
75 / 75.0	1976 / 99.50	AUSTRALIA,COMMONWEALTH	9.00	15/11/1996	S	76	12.90 / 14.23	12.19
75 / 75.0	1978 / 99.63	AUSTRALIA,COMMONWEALTH	9.125	1/ 6/1993	S	78 3/4	12.93 / 13.64	11.92
75 / 71.3	1976 / 98.50	AUSTRALIA,COMMONWEALTH	9.125	1/ 6/1996	S	77 3/4	12.78 / 13.39	12.08
25 / 17.0	1975 / 99.00	PAPUA NEW GUINEA,GOVT OF	9.50	15/ 3/1983		92 1/2	13.61 / 15.19	10.27
25	1977 / 100.50	ALCAN AUSTRALIA	8.50	15/ 4/1989		75 1/2	13.58	11.26
60	1979 / 100.00	ALCOA OF AUSTRALIA	10.00	15/ 6/1989		87 1/2	12.44	11.43
80	1980* / 100.00	ALCOA OF AUSTRALIA	12.00	15/ 1/1988		92 1/4	13.78	13.01
25 / 6.3	1974 / 100.00	AUSTRALIAN IND DEVT CORP	10.25	1/12/1981		95 1/2	15.83	10.73
40 / 38.2	1977 / 100.00	AUSTRALIAN MIN & SMELT'G	9.25	15/ 6/1992		78 5/8	12.90 / 13.07	11.76
20	1977 / 100.50	AUSTRALIAN RESOURCES	8.25	1/12/1982		90	15.27	9.27
30 / 24.0	1978 / 100.00	AUSTRALIAN RESOURCES	9.50	1/ 2/1993		92 3/8	13.76 / 14.10	10.29
30	1979 / 99.50	AUSTRALIAN RESOURCES	9.625	1/ 8/1984		90 7/8	13.50	10.60
30	1980* / 99.50	AUSTRALIAN RESOURCES	12.00	1/11/1983		96 1/4	13.64	12.47
30	1977 / 99.50	BROKEN HILL PROPS	8.00	1/ 2/1985		83 5/8	13.25	9.57
30 / 30.0	1977 / 99.00	BROKEN HILL PROPS	8.25	1/ 4/1989		75 1/2	13.30 / 14.10	10.93
30	1975 / 100.00	BROKEN HILL PROPS	9.50	1/ 5/1981		97 3/8	17.71*	9.76
20 / 15.7	1975 / 99.50	BROKEN HILL PROPS	10.00	1/ 5/1990		85	12.82 / 13.61	11.76
20 / 11.0	1970 / 98.50	COMALCO INV EUROPE	9.50	1/11/1985		90	12.35 / 13.76	10.56
25 / 18.0	1975 / 100.00	COMALCO LTD	10.00	1/ 4/1987		90	12.36 / 13.05	11.11
40 / 40.0	1979 / 100.00	COMALCO INV EUROPE	10.25	15/ 7/1991		84 1/4	13.06 / 13.66	12.17
40 / 34.6	1976 / 100.00	HAMERSLEY HOLDINGS	8.50	1/ 1/1984		90 3/4	12.38 / 12.82	9.37
40 / 38.0	1975 / 100.00	HAMERSLEY HOLDINGS	9.50	1/ 1/1992		79 3/4	13.07 / 13.64	11.91
25 / 18.0	1972 / 100.00	HAMERSLEY IRON FIN	8.00	15/11/1987		78	13.02 / 15.26	10.26
20 / 12.5	1971 / 99.50	HAMERSLEY IRON FIN	9.00	1/ 5/1986		85	13.04 / 15.40	10.59
20 / 10.0	1970 / 97.00	HAMERSLEY IRON FIN	9.50	1/ 9/1985		87	13.38 / 15.44	10.92
35 / 26.6	1975 / 100.00	HAMERSLEY IRON FIN	10.00	1/ 6/1982		93	15.74 / 15.95	10.75
23 / 20.3	1972 / 99.75	K MART(AUST)PROPERTIES	7.75	15/ 9/1984		83	13.89 / 14.08	9.34
36 / 34.2	1976 / 99.50	K MART(AUST)FIN	9.00	1/10/1996		83	13.40 / 13.74	10.84
25 / 16.0	1971 / 100.00	MOUNT ISA FIN	8.75	15/11/1986		82	13.35 / 15.26	10.67
10	1976 / 100.00	TNT INTL FIN	9.00	1/ 7/1983	WW	120	.87	7.50
10	1976 / 100.00	TNT INTL FIN	9.00	1/ 7/1983	XW	95	15.03	10.23

[illegible]

US DOLLARS—SWEDEN (CONTINUED)

Issued / Amt. outst.	Year of issue / Issue price	Borrower / Coupon Maturity		Price	Yield to maturity / to average life	Current yield
40	1977 100.90	STATSFORETAG 7.75 1/ 2/1982		93 1/2	14.62	8.29
50 50.0	1977 100.00	STOCKHOLM, CITY OF 8.875 15/ 2/1992	S	73 1/2	13.55 15.34	12.10
60 60.0	1979 99.00	STOCKHOLM, CITY OF 9.75 15/ 3/1996	S	79 7/8	13.39 14.26	12.38
30 25.0	1976 99.00	SVENSKA HANDELSBANKEN 9.25 1/ 3/1986		85 3/8	13.32 14.95	10.83
25 10.6	1976 100.00	SWEDISH EXPORT CREDIT 7.875 15/10/1983	P S	90	12.57 16.12	8.94
25 7.5	1975 99.00	SWEDISH EXPORT CREDIT 9.00 15/ 4/1982		95 7/8	12.57 14.70	9.39
20 17.1	1979 100.00	SWEDISH EXPORT CREDIT 9.50 15/ 4/1986	P S	87 1/2	13.23 15.30	11.15
50	1980* 99.75	SWEDISH EXPORT CREDIT 12.00 1/10/1985		95 1/2	14.02	12.57
40	1980* 99.50	SWEDISH EXPORT CREDIT 12.50 1/ 5/1985		95 3/8	13.93	13.11
15 11.5	1973 100.00	SWEDISH INVESTMENT BANK 7.50 15/ 1/1988		76 1/2	12.75 15.87	9.80
15 10.5	1972 99.00	SWEDISH INVESTMENT BANK 7.75 1/11/1987		80 1/2	12.09 14.34	9.63
15 15.0	1976 100.00	SYDKRAFT 9.25 15/ 9/1986		79 1/8	16.90 17.70	11.69
30 11.9	1976 100.00	UDDEVALLAVARVET 7.75 1/12/1983	P S	88 1/4	13.09 16.67	8.97
25 20.5	1977 100.00	UDDEVALLAVARVET 7.75 15/ 9/1984	P	86	12.68 13.78	9.01
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]

US DOLLARS—UTD KINGDOM (CONTINUED)

Issued / Amt. outst.	Year of issue / Issue price	Borrower / Coupon Maturity	Price	Yield to maturity / to average life	Current yield
20 10.0	1970 98.00	COURTAULDS INT FIN 9.25 1/10/1985	87 [illegible]	[illegible]	[illegible]
20	1976 98.25	COVENTRY, CITY OF 8.875 1/ 2/1981	97	[illegible]	[illegible]
25 13.0	1973 100.00	DUNDEE, CITY OF 9.25 15/10/1983	92 [illegible]	[illegible]	[illegible]
25	1973 100.00	EDINBURGH, CITY OF 9.00 1/11/1981	94	[illegible]	[illegible]
50	1976 99.50	ELECTRICITY COUNCIL 8.75 15/ 3/1981	98	[illegible]	[illegible]
15 3.0	1967 98.50	EMI 6.75 15/11/1982	84	[illegible]	[illegible]
50 30.0	1977 100.00	EMI FINANCE BV 9.25 15/ 4/1989	77 [illegible]	[illegible]	[illegible]
20 16.0	1972 100.50	FISONS 8.25 1/ 7/1987	76 [illegible]	[illegible]	[illegible]
20 20.0	1977 100.00	FISONS INT FIN 8.75 1/ 8/1992	71 [illegible]	[illegible]	[illegible]
25 16.5	1971 100.00	G.U.S. INTERNATIONAL 8.50 1/ 3/1986	80 [illegible]	[illegible]	[illegible]
15 12.5	1974 100.00	G.U.S. INTERNATIONAL 9.50 [illegible]	81 [illegible]	[illegible]	[illegible]
25 20.0	1975 100.00	GOLD FIELDS (BERMUDA) 10.25 15/ 7/1985	89 [illegible]	[illegible]	[illegible]
25 19.0	1972 98.50	GRAND METROPOLITAN HOTEL 7.50 15/12/1987	76 [illegible]	[illegible]	[illegible]
15 7.8	1970 100.00	GRAND METROPOLITAN HOTEL 9.25 1/ 1/1986	87 [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

AUSTRALIAN [illegible] (CONTINUED)

250 / 250.0	1976 / 97.25	EUROPEAN INVESTMENT BK P [illegible] 15/12/1985	96 5/8	9.75 / 9.24	8.28
500	1979 / 97.50	EUROPEAN INVESTMENT BANK [illegible] 15/12/1989	95	8.63	8.42
500 / 300.0	1976 / 97.25	INTER-AMERICAN DEV BK D [illegible] 15/12/1986	96 1/4	9.05 / 9.34	8.31
450	1979 / 99.50	INTER-AMERICAN DEV BANK [illegible] 15/12/1989	95	8.55	8.42
1	1980* / 99.50	WORLD BANK 8.00 1/ 2/1990	95	8.82	8.42

BAHRAINI DINARS

12 / 12.0	1977 / [illegible]	SAT ALGERIE-NAVIGATION 8.75 1/ 8/1987	93 1/2	10.13 / 10.79	9.36
15 / 15.0	1977 / [illegible]	PETROLEOS MEXICANOS 8.75 15/11/1987	93	[illegible] / 10.65	9.41

CANADIAN DOLLARS

20	[illegible]	AVCO FIN SERV-CANADA [illegible]	91	16.26	[illegible]
25	1979 / [illegible]	AVCO FIN SERVICES-CANADA [illegible]	91	15.69	12.45
30	1980* / [illegible]	BANCORP [illegible] 11.75 [illegible] 1985	93 1/8	[illegible]	13.69
50	[illegible]	BANK OF MONTREAL [illegible]	92 [illegible]	[illegible]	9.73
20	1977 / 99.25	BANQUE CANADIENNE NAT 9.25 15/ [illegible] 1982	92 1/2	16.33	8.92
15	1976 / [illegible]	BANQUE CANADIENNE NAT 9.25 [illegible] 1982	92 5/8	15.49	9.93
20	1976 / 99.25	B-C CENTRAL CREDIT UNION 9.25 [illegible] 1981	94 3/8	16.43	[illegible]
25	1977 / [illegible]	BNP [illegible] 8.75 1/ 6/1982	92 3/4	[illegible]	9.43
60	1979 / [illegible]	BELL CANADA 10.75 1/10/1989	89 7/8	13.35	11.96

CANADIAN DOLLARS (CONTINUED)

50	1980* / 99.75	GEN MOTORS ACCEPTANCE 12.00 15/ 6/1985	92 1/4	14.41	[illegible]
25	1977 / 100.00	WALTER E.HELLER (CAN) 9.50 15/ 7/1984	65	15.66	[illegible]
25	1976 / 98.50	WALTER E.HELLER (CAN) 9.75 15/ 6/1982	95 3/4	21.27	[illegible]
25	1977 / 100.00	INT HARVESTER CREDIT-CAN 8.75 1/ 2/1983	68 3/8	19.84	[illegible]
30	1975 / 100.50	INT HARVESTER CREDIT-CAN 10.25 1/ 9/1981	93 3/8	21.57	[illegible]
25	1976 / 100.00	IBM CANADIAN FINANCE 9.50 1/ 8/1982	91	26.26	[illegible]
25 / 21.3	1976 / 100.00	IBM CANADIAN FINANCE 10.00 1/ 6/1986	85 1/4	13.93 / 14.50	[illegible]
50	1976 / 99.50	KELLOGG MORT.CORP 9.25 15/ 6/1982	92 1/4	15.46	[illegible]
20	1977 / 100.00	LAURENTIDE FIN CORP 9.50 30/ 6/1982	90 1/2	17.09	[illegible]
25	1977 / 100.50	MAC BAN LEASING CANADA 8.25 15/ 5/1982	91 3/8	15.59	[illegible]
12 / 15.0	1975 / 99.50	MANITOBA,PROVINCE OF 9.25 30/ [illegible]/1985	86 3/4	13.45 / [illegible]	[illegible]
40	1979 / 99.00	MONTREAL,CITY OF 10.00 1/ 6/1989	81 1/2	13.92	[illegible]
20 / 19.0	1975 / 100.00	NEWFOUNDLAND,PROVINCE OF 9.50 15/ 5/1985	91 1/4	[illegible] / [illegible]	[illegible]
20	1975 / 100.25	NEWFOUNDLAND,PROVINCE OF 10.25 15/12/1985	94	11.92	[illegible]
25	1975 / 100.00	NORANDA MINES 9.75 15/ 7/1982	93 1/2	14.64	[illegible]
25	1971 / 99.25	NOVA SCOTIA POWER 9.50 1/ 7/1984	87	9.90	[illegible]
20	1976 / 100.00	NOVA SCOTIA,PROVINCE OF 9.00 15/12/1983	88 3/4	13.89	[illegible]
25	1976 / 100.50	PANCANADIAN PETROL 9.75 29/11/1983	99	14.20	[illegible]

[illegible]

31st DECEMBER 1980 WestLB Euro-Deutschmarkbond Quotations and yields

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment D-mandatory-drawing by lot at par S-sinking fund P-purchase fund
8% ADELA 76/83	83.00	9.64	17.74	2.25	1. 4.83
7¼% ADELA 77/82 PP	80.00	9.06	25.08	1.46	16. 6.82
7% ADELA 77/82 PP	79.00	8.86	24.37	1.58	1. 8.82
6% AEG 66/81	99.60	6.02	10.77	0.08	due 1. 2.72—81D
7¾% African Dev. Bank 79/86	87.50	8.86	10.90	5.42	1. 6.86
8% African Dev. Bank 79/87	88.50	9.04	10.42	6.83	1.11.87
6½% Airport Paris 69/84 PP (G)	94.50	6.88	9.44	2.14	1. 3.75—84D
9% AKZO 75/82 PP	98.75	9.11	10.24	1.08	1. 2.82
7¾% AKZO 76/83 PP	93.50	8.29	10.90	2.42	1. 6.83
6% AKZO 78/84 PP	86.25	6.96	11.26	3.25	1. 4.84
6½% AKZO 79/86 PP	85.00	7.65	10.38	5.17	1. 3.86
9% AKZO 80/90	98.00	9.18	9.31	9.37	15. 5.86—90S
8¼% Alusuisse Int'l. 75/83	99.00	8.33	8.81	1.65	1. 8.81—83D
5½% American Expr. Int'l. 79/87	83.00	6.63	9.31	6.04	15. 1.87
6¾% AMEX Int'l. 77/84 PP	92.00	7.34	9.72	3.25	1. 4.84
10% A.P.E.L. 74/81 (G)	101.25	9.88	8.49	0.92	1.12.77—81D
7¾% ARBED Finance 76/83 PP	92.00	8.42	11.17	2.83	1.11.83
6¾% ARBED Finance 77/87	82.00	8.23	10.76	6.42	1. 6.83—87S
7½% ARBED Finance 79/86 PP	88.00	8.52	10.36	5.75	1.10.86
9% ARBED Finance 80/87 PP	98.25	9.16	9.35	6.42	1. 6.87
8¾% Ardal-Sunndal 75/81 PP	99.00	8.84	10.67	0.50	1. 7.81
6¾% Ardal-Sunndal 77/89 PP	83.50	8.08	11.44	4.72	1. 7.82—89D
7½% Argentine 77/84	87.75	8.55	11.69	3.75	1.10.84
6½% Argentine 78/85	83.15	7.82	11.84	4.17	1. 3.85
6½% Argentine 78/80	80.50	8.07	11.30	5.73	1.11.84—88D
7½% Argentine 79/88	87.00	8.62	9.84	8.33	1. 5.86—89S
7% Asian Dev. Bk. 69/84	100.00	7.00	7.12	3.67	1. 9.75—84S
8% Asian Dev. Bk. 76/82	97.60	8.20	10.23	1.17	1. 3.82
7¾% Asian Dev. Bk. 76/83 PP	96.00	8.07	9.78	2.25	1. 4.83
7% Asian Dev. Bk. 77/86	91.85	7.62	9.40	4.25	1. 4.85
5½% Asian Dev. Bk. 78/88	78.00	6.96	9.61	7.33	1. 5.88
7¼% Asian Dev. Bk. 79/89	87.25	8.31	9.47	8.58	1. 8.89
8⅜% Asian Dev. Bk. 80/90	92.75	9.03	9.54	9.83	1.11.90
10% Asian Dev. Bk. 79/89	102.75	9.73	9.53	9.33	1. 5.90
7½% Aumar 73/88 (G)	89.85	8.35	11.06	3.87	1. 2.79—88D
9% Aumar 76/84 (G)	100.00	9.00	8.97	3.62	15. 8.77—84S
7¾% Aumar 77/84 (G)	93.50	8.29	10.01	3.50	1. 7.84
6½% Australia 67/82	99.96	6.50	6.51	1.83	1.11.73—82S
6¾% Australia 68/83	99.85	6.75	6.88	2.56	1. 8.74—83S
6½% Australia 69/84	99.50	6.53	6.79	3.08	1. 2.75—84S
7¼% Australia 69/84	99.50	7.29	7.53	3.83	1.11.75—84S
7% Australia 72/87	98.35	7.12	7.34	6.08	1. 2.78—87S
9% Australia 75/82	100.75	8.93	8.22	1.08	1. 2.82
8¼% Australia 75/82 I PP	98.50	8.38	9.52	1.25	1. 4.82
8¼% Australia 75/82 II PP	99.00	8.33	9.01	1.33	1. 5.82
7¼% Australia 76/83	97.25	7.46	8.67	2.17	1. 3.83
5¼% Australia 77/82 PP	94.25	5.57	8.92	1.75	1.10.82
5¾% Australia 77/89	83.75	6.87	8.43	8.83	1.11.85—89S
6% Australia 78/88	85.00	7.06	8.76	7.67	1. 9.88
8% Australia 80/87 PP	96.25	8.31	8.74	6.91	1.12.87
8⅛% Australia 80/90	96.45	8.42	8.68	9.17	1. 3.90
6¾% Austr. Ind. Dev. Corp. 72/87	94.00	7.18	8.72	3.67	1.11.78—87D
7% Rep. of Austria 68/82	98.75	7.09	8.22	1.25	1. 4.73—82S
6½% Rep. of Austria 69/83	99.25	6.55	6.98	2.25	1. 4.75—83S
9¾% Rep. of Austria 74/81 PP	99.75	9.77	10.01	0.92	1.12.81
8¼% Rep. of Austria 75/81 PP	99.75	8.27	8.87	0.42	1. 6.81
8¾% Rep. of Austria 75/82 PP	100.00	8.75	8.65	0.74	1. 4.79—82D
9% Rep. of Austria 75/83	100.75	8.93	8.58	2.08	1. 2.83
8¾% Rep. of Austria 75/83 PP	100.00	8.75	8.69	1.22	1. 4.79—83D
8½% Rep. of Austria 75/87	98.35	8.64	8.83	6.33	1. 5.78—87S
7¾% Rep. of Austria 76/86	99.00	7.83	7.97	5.34	2. 5.83—86S
6¾% Rep. of Austria 77/85	92.50	7.30	8.93	4.25	1. 4.83—85S
7% Rep. of Austria 77/87 PP	92.25	7.59	9.46	3.91	1. 1.83—87D
6¾% Rep. of Austria 77/87 PP	91.00	7.42	8.71	6.08	1. 2.83—87D
6% Rep. of Austria 77/87 PP	85.00	7.06	10.09	5.10	1. 9.84—87D
5¾% Rep. of Austria 78/88 PP	85.50	6.73	9.24	5.46	15. 7.84—88D
5¾% Rep. of Austria 78/90	84.00	6.85	8.18	9.83	1.11.85—90D
6¾% Rep. of Austria 79/84 PP	92.50	7.30	9.23	3.67	1. 9.84
7% Rep. of Austria 79/87 PP	89.00	7.87	9.27	6.67	1. 9.87
6¼% Rep. of Austria 79/89 PP	85.50	7.31	9.81	5.45	1. 2.84—89D
7¼% Rep. of Austria 79/89 PP	89.50	8.10	9.04	8.67	1. 9.89
8¼% Rep. of Austria 80/86 PP	98.00	8.42	8.70	5.47	20. 6.86
8¼% Rep. of Austria 80/88 PP	97.50	8.46	8.70	7.47	20. 6.88
8¼% Rep. of Austria 80/90 PP	97.50	8.46	8.63	9.47	20. 6.90
7¾% Rep. of Austria 80/90 PP	90.25	8.59	9.31	9.62	1. 8.90
8¼% Rep. of Austria 80/92	93.50	8.82	9.33	9.12	1.10.87—92D
7% Autopistas Catluna 78/86 PP	89.00	7.87	10.47	4.04	16. 1.85
7¼% Autopistas Espanola 71/86 (G)	97.00	7.47	8.42	3.50	1. 7.73—84S
8% Autopistas Espanola 71/86 (G)	95.75	8.36	9.83	3.11	1.10.77—86D
6¾% Autopistas Espanola 72/87 (G)	91.35	7.39	9.72	3.57	1.10.78—87D
7¼% Autopistas Espanola 79/86 PP (G)	96.00	7.55	8.42	4.17	1. 3.85
7¼% Banco N. Desarollo 79/86 (G)	86.75	8.36	10.71	5.17	1. 3.86

WestLB SD Certificates (Schuldschein-Index)

5 years maturity: 9.35%

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
8% Banco N. Obras 71/86 (G)	98.00	8.16	8.62	5.83	1.11.77—86S
9% Banco N. Obras 76/81 (G)	99.00	9.09	10.47	0.67	1. 9.81
7¼% Banco N. Obras 77/82 PP (G)	97.75	7.42	8.75	1.62	16. 8.82
7% Banco N. Obras 77/82 PP (G)	97.25	7.20	8.69	1.79	16.10.82
7% Banco N. Obras 77/84 (G)	89.75	7.80	10.42	3.75	1.10.84
5¾% Bk. America Overs. Fin. 78/90	81.60	7.10	8.70	9.83	1.11.90
6% Bank of Tokyo 79/86 PP	86.00	6.98	9.60	5.08	1. 2.86
7½% Banque Ext. Algerie 77/83	94.50	7.94	9.82	2.79	15.10.81—83D
7¼% Banque Ext. Algerie 78/85	89.50	8.10	10.74	3.80	1.11.84—85D
7¼% Banque Nat. Algerie 78/83	91.35	7.94	11.98	2.17	1. 3.83
6¾% Barclays Overs. Inv. 79/89	86.00	7.85	9.22	8.33	1. 5.89
8% Barlow Rand Inv. 78/82 I PP	94.25	8.49	12.03	1.62	15. 8.82
8% Barlow Rand Inv. 78/82 II PP	94.25	8.49	11.86	1.71	15. 9.82
7½% BEC Finance 76/83 PP	93.25	8.04	10.35	2.83	1.11.83
8% Beecham Fin. 76/83	97.25	8.23	9.12	2.83	1.11.83
8½% Beneficial Overseas 80/85 PP	98.50	8.63	8.88	4.83	1.11.85
8¾% Bergen 75/85	98.00	8.93	9.74	2.24	1. 5.81—85D
7¼% Bergen 77/89	91.50	7.92	9.74	4.34	1. 2.81—89D
8¼% BFCE 75/83 (G)	99.00	8.33	8.67	2.50	1. 7.81—83S
8¼% BFCE 76/84 (G)	99.25	8.31	8.48	3.50	1. 7.82—84S
7% BFCE 77/87 (G)	91.50	7.65	8.86	6.08	1. 2.83—87S
5¾% BFCE 78/88 (G)	84.15	6.83	8.88	7.04	15. 1.86—88S
7¾% BFCE 80/87 (G)	92.50	8.38	9.44	6.04	15. 1.87
8⅛% BFCE 80/95 (G)	91.50	8.88	9.23	14.04	15. 1.88—95S
8½% BNDE 77/87	92.50	9.19	11.11	3.80	1. 4.83(82-87)
6¾% BNDE 78/86	79.00	8.54	12.49	5.17	1. 3.86
9¼% BNDE 80/88	89.00	10.39	11.48	7.49	1. 7.88S
9% Borregaard 75/81 PP	99.25	9.07	11.07	0.33	1. 5.81
6½% Borregaard 77/84 PP	90.00	7.22	9.79	3.75	1.10.84
8½% Brascan Int'l. 73/88	99.00	8.59	8.67	7.75	1.10.79—88S
6¾% Brazil 72/87	93.00	7.26	8.13	6.75	1.10.76—87S
8¾% Brazil 76/86	99.00	8.84	8.96	5.75	1.10.82(80-86)
7¾% Brazil 77/84	87.00	8.91	12.74	3.33	1. 5.84
6¾% Brazil 78/85	83.60	8.07	12.06	4.08	1. 2.85
7¼% Brazil 79/87	82.00	8.84	11.58	6.00	1. 1.87
8% Brazil 79/87	85.25	9.38	11.27	6.58	1. 8.87
9¼% Brazil 80/88	93.40	9.90	10.55	7.42	1. 6.88
6¾% Brenner 68/83 (G)	97.75	6.91	7.87	2.58	1. 8.74—83S
5¾% Bruxelles-Lambert 77/84 PP	87.00	6.61	9.87	3.96	15.12.84
8½% Burmah Oil 70/85	98.50	8.63	9.33	2.74	1.11.76—85D
4¾% Canada 78/83	90.00	5.28	9.81	2.39	20. 5.83
5% Canada 78/84	88.25	5.67	9.21	3.36	10. 5.84
6% Carlsberg-Tuborg 77/87 PP	83.50	7.19	9.34	6.92	1.12.85—87D
8½% C.C.C.E. 75/85 (G)	97.75	8.70	9.66	2.16	1. 4.81—85D
8½% C.C.C.E. 76/86 (G)	97.00	8.76	9.42	3.94	1. 7.83—86D
7% C.C.C.E. 77/89 (G)	92.00	7.61	8.37	8.25	1. 4.81—89D
5½% C E C A 65/83	94.00	5.85	9.37	1.74	1. 4.71—83D
7½% C E C A 71/86	96.40	7.78	9.03	2.71	1. 5.77—86D
6½% C E C A 72/87	90.75	7.16	9.88	3.31	1. 7.78—87D
7% C E C A 72/88	92.75	7.55	9.34	3.82	2. 1.79—88D
6½% C E C A 73/88	89.25	7.28	9.82	4.06	1. 4.79—88D
7¾% C E C A 73/88	101.50	7.64	7.31	4.15	1.11.79—88D
10% C E C A 73/81 PP	100.25	9.98	9.43	0.67	1. 9.81
9¾% C E C A 74/81	100.30	9.72	9.35	0.92	1.12.81
8½% C E C A 75/82 PP	98.00	8.67	10.35	1.17	1. 3.82
8% C E C A 75/82	98.75	8.10	8.71	1.96	15.12.82
8½% C E C A 75/85	98.00	8.67	9.34	2.69	1. 4.78—85D
8% C E C A 76/81 PP	97.75	8.18	10.58	0.96	15.12.81
7¾% C E C A 76/83	96.50	8.03	9.22	2.75	1.10.83
7¾% C E C A 76/86	95.00	8.16	9.41	3.66	1.10.82—86D
6% C E C A 78/88	81.25	7.38	9.49	7.83	1.11.88
5¼% C E C A 78/90	79.20	6.63	9.42	7.04	1. 4.85—90D
6% C E C A 78/90 PP	84.00	7.14	9.70	5.84	1. 8.83—90D
7% C E C A 79/91	87.50	8.00	9.36	7.61	15. 1.84—91D
9½% C E C A 80/88	102.50	9.27	8.96	6.36	1.12.88—88
7⅞% C E C A 80/90	92.10	8.55	9.20	9.00	2. 1.90
7⅞% C E C A 80/92	92.25	8.54	9.28	7.93	2. 9.95—92D
7¾% C.E.D. South Africa 78/82 PP (G)	96.50	8.03	[illegible]	[illegible]	[illegible]
6½% CERGA 73/81 PP	99.00	6.57	[illegible]	[illegible]	[illegible]
7% CESP 77/87 (G)	88.00	7.95	[illegible]	[illegible]	[illegible]
6% Chase Manhattan Ov. 78/93	80.70	7.43	[illegible]	[illegible]	[illegible]
7% Chrysler 69/84	84.25	8.31	[illegible]	[illegible]	[illegible]
6¾% CIBA-GEIGY ex. w. 75/85 PP	85.00	7.94	[illegible]	[illegible]	[illegible]
6½% C.N. Autoroutes 69/84 PP (G)	94.00	6.91	[illegible]	[illegible]	[illegible]
6½% C.N. Energie 69/84 PP (G)	95.25	6.82	[illegible]	[illegible]	[illegible]
6½% C.N. Telecom. 68/83 (G)	97.50	6.67	[illegible]	[illegible]	[illegible]
8½% C.N. Telecom. 70/85 (G)	98.75	8.61	[illegible]	[illegible]	[illegible]
7¼% C.N. Telecom. 76/83 (G)	95.86	7.56	[illegible]	[illegible]	[illegible]
6¼% C.N. Telecom. 79/87 (G)	85.50	7.31	[illegible]	[illegible]	[illegible]
7⅞% C.N. Telecom. 79/87 PP (G)	95.00	8.29	[illegible]	[illegible]	[illegible]
7¾% Comalco 71/86	97.50	7.95	[illegible]	[illegible]	[illegible]
7% Com. Fed. Electr. 77/82 PP	94.00	7.45	[illegible]	[illegible]	[illegible]
8% Com. Fed. Electr. 77/84	94.00	8.51	[illegible]	[illegible]	[illegible]
7¼% Com. Fed. Electr. 77/85	92.75	7.82	[illegible]	[illegible]	[illegible]
6¾% Com. Fed. Electr. 78/88	88.00	7.67	[illegible]	[illegible]	[illegible]
5% Commerzbank Int'l. 78/84 PP	90.00	5.56	[illegible]	[illegible]	[illegible]
4⅜% Comp. F. Deutsche Bk. 78/83 PP	89.50	4.89	[illegible]	[illegible]	[illegible]
5% Comp. F. Deutsche Bk. 78/84 PP	89.25	5.60	[illegible]	[illegible]	[illegible]
8½% Comp. Franc. Petr. 75/85	98.50	8.63	[illegible]	[illegible]	[illegible]
6½% Comp. Franc. Petr. 77/84	91.00	7.14	[illegible]	[illegible]	[illegible]
8½% Consorzio 70/91 (G)	95.75	8.88	[illegible]	[illegible]	[illegible]
5¾% Copenhagen 64/84	98.00	5.87	[illegible]	[illegible]	[illegible]
7% Copenhagen 68/83	99.50	7.04	[illegible]	[illegible]	[illegible]
6¾% Copenhagen 71/86	99.25	6.80	[illegible]	[illegible]	[illegible]
7¾% Copenhagen 71/86	99.50	7.79	[illegible]	[illegible]	[illegible]
7½% Copenhagen 76/86	95.50	7.85	[illegible]	[illegible]	[illegible]
6% Copenhagen 78/90	85.75	7.00	[illegible]	[illegible]	[illegible]
6½% Council of Europe 73/81 PP	99.00	6.57	9.48	0.33	1. 5.81
7% Council of Europe 73/88	92.00	7.61	9.61	3.76	1. 7.79—88S
9½% Council of Europe 75/82 PP	99.75	9.52	9.72	1.08	1. 2.82
8½% Council of Europe 76/83	98.00	8.67	9.91	1.57	1. 2.79—83D
7¾% Council of Europe 76/83	97.00	7.99	10.26	1.30	1. 5.80—83D
7% Council of Europe 76/83	94.00	7.45	9.44	2.92	1.12.83
6¼% Council of Europe 77/87	86.50	7.23	9.95	4.74	1.11.83—87D
6¼% Council of Europe 78/86 PP	86.00	7.27	9.63	5.50	1. 7.86
6⅛% Council of Europe 78/88	85.05	7.20	9.88	5.28	15. 6.84—88D
6¼% Council of Europe 78/88 II	86.00	7.27	9.52	5.74	1.11.84—88D
6¼% Council of Europe 78/88 III	86.00	7.35	9.78	5.74	1.11.84—88D
7¼% Council of Europe 79/89	91.00	7.97	9.52	5.15	1. 5.83—89D
7½% Council of Europe 79/89	91.00	8.24	9.36	6.66	1.10.85—89D
7⅞% Council of Europe 79/94	90.75	8.68	9.44	8.96	1.11.85—94D
9¾% Council of Europe 80/90	102.50	9.51	9.28	7.83	1.12.86—90
6½% Courtaulds Int'l. 72/87	89.25	7.28	8.72	8.50	1. 7.80—87S
6% Credit National 77/87 (G)	85.00	7.06	9.06	6.75	1.10.83—87S
5¾% Credit National 78/83 PP	90.50	6.35	9.85	2.67	1. 9.83
6½% Credit National 79/89 (G)	88.00	7.39	9.10	6.20	16. 4.85—89D
9% CVRD 76/84	95.25	9.45	10.88	3.08	1. 2.81(82-84)
8½% CVRD 76/86	94.00	9.04	9.88	5.92	1.12.82(83-86)
8% Daimler-Benz 70/85	99.45	8.04	8.39	2.75	1.11.76—85D
5½% Daishowa Paper 78/83 PP	90.50	6.08	9.81	2.58	1. 8.83
6% Danish Export 77/82 PP	97.25	6.17	8.25	1.32	1.11.78—82D
5¾% Danish Export 78/83	96.50	5.96	8.48	1.38	1. 6.79—83D
8¼% Den Danske Bk. 78/86	95.75	8.62	8.21	5.83	1.11.82—86S
7% Denmark 63/84	98.00	7.14	7.79	3.58	1. 8.75—84S
6¾% Denmark 72/87	95.00	7.11	7.71	6.92	1.12.78—87S
9¼% Denmark 74/89	100.00	9.25	9.24	8.17	1. 3.80—89S
8¼% Denmark 76/82	98.50	8.38	9.75	1.08	1. 2.82
8% Denmark 76/82	98.00	8.16	9.30	1.87	1. 9.82
6¾% Denmark 77/83	96.00	7.03	8.85	2.37	16. 5.83
7¼% Denmark 77/87	88.50	8.19	9.74	6.37	16. 5.87
5¼% Denmark 78/84	88.00	5.97	9.95	3.08	1. 2.84
6% Denmark 78/88	82.50	7.27	9.50	7.08	1. 2.88
5¾% Denmark 79/85	89.90	8.40	8.79	4.08	1. 2.85
6½% Denmark 79/89	86.00	7.56	9.01	8.08	1. 2.89
7⅞% Denmark 80/86	95.00	8.29	9.14	5.08	1. 2.86
8¼% Denmark 80/92	96.00	8.59	8.83	11.08	1. 2.92P
9½% Denmark 80/90 PP	100.25	9.48	9.44	8.33	1. 5.90
6¾% Den Norske Ind. 77/89 (G)	91.00	7.42	9.47	4.11	1. 6.80—89D
6% Den Norske Ind. 78/90 (G)	86.75	6.92	9.11	5.61	1. 5.85—90D
6½% District Paris 69/84 (G)	95.25	6.82	8.21	3.25	1. 4.75—84D
7¼% E E C 76/83	97.50	7.44	8.49	2.25	1. 4.83
8¼% Electr. de France 80/88 PP (G)	97.40	8.47	8.71	7.83	1.11.88
7% Eletrobras 77/87 (G)	89.25	7.84	9.22	6.67	1. 9.83(83-87)
6¾% Eletrobras 78/86 (G)	79.25	8.52	12.35	5.25	1. 4.86
7% Eletrobras 79/87 (G)	82.25	8.51	11.17	6.08	1. 2.87
5¼% Elf Aquitaine 78/88	80.35	6.53	9.60	6.34	15. 5.86—88D
5¾% Elkem 78/88 PP	87.00	6.61	6.90	5.33	1. 6.84—88D
6¾% Ericsson 72/87	92.00	7.34	8.46	6.17	1. 3.78—87S
8¾% ESAB 76/81 PP	99.65	8.78	12.71	0.08	due 1. 2.81
6½% ESCOM 68/83 (G)	95.50	6.81	9.42	1.72	1.10.74—83D
8½% ESCOM 70/85 (G)	96.00	8.85	10.24	2.69	1. 4.76—85D
8% ESCOM 71/86 (G)	93.25	8.58	10.91	3.06	1. 3.77—86D
6¼% ESCOM 72/87 (G)	87.75	7.12	10.62	3.47	1. 9.78—87D
7% ESCOM 73/88 (G)	86.75	8.07	11.75	3.54	1. 5.79—88D
8% ESCOM 78/81 II PP (G)	99.50	8.04	13.92	0.08	due 1. 2.80—81D
8¼% ESCOM 78/81 PP (G)	99.50	8.29	14.15	0.08	due 1. 2.81
8% ESCOM 78/84 PP (G)	94.00	8.51	9.94	3.83	1.11.84
8¾% ESCOM 79/84 I PP (G)	96.00	9.11	10.10	3.58	1. 8.84
8¾% ESCOM 79/84 II PP (G)	98.00	8.93	9.40	3.58	1. 8.84
9% ESCOM 80/87 PP (G)	98.50	9.14	9.46	4.49	1.11.87
9¼% ESCOM 80/87	98.00	9.44	9.65	6.83	1. 8.84—87D
7¾% ESTEL 73/88	85.00	9.12	10.72	7.58	1. 8.79—88S
8½% ESTEL 75/85	98.75	8.61	8.83	4.42	1. 6.81—85S
8½% ESTEL 76/83 PP	94.50	8.99	11.47	2.17	1. 3.83
6½% ESTEL 77/84 PP	87.00	7.47	10.80	3.83	1.11.84
6¼% ESTEL 77/84 PP	87.75	7.12	11.47	2.88	1.12.82—84D
6¼% ESTEL 78/85 PP	82.75	7.55	11.10	4.75	1.10.85
7¾% ESTEL 79/86 PP	90.00	8.61	10.16	5.58	1. 8.86
8⅛% ESTEL 79/86 PP	91.00	8.93	10.21	5.96	15.12.86
8⅞% ESTEL 80/87 PP	95.50	9.29	9.83	6.46	15. 6.87
5¾% Euratom 77/87	81.75	7.03	9.49	6.83	1.11.87
6¼% Euratom 79/91 PP	84.00	7.44	9.74	6.36	8. 2.84—91D
6½% Eurofima 67/83	98.75	6.58	7.20	1.64	1. 2.71—83D
6¼% Eurofima 72/87	90.25	6.93	9.66	3.48	1. 9.76—87D
6½% Eurofima 73/88	90.25	7.20	9.54	3.99	1. 3.77—88D
8% Eurofima 73/88	96.50	8.29	9.06	4.02	1.10.77—88D
8% Eurofima 76/83	98.50	8.12	8.60	2.08	1. 2.83
6¾% Eurofima 77/87 PP	90.00	7.50	9.90	3.39	1. 2.83—87D
5½% Eurofima 78/88	83.75	6.57	9.73	5.03	15. 2.84—88D
5½% Eurofima 78/88 PP	80.00	6.88	9.93	6.27	1.11.85—88D
6½% Eurofima 79/89	88.25	7.37	9.13	6.00	1. 2.85—89D
7% Eurofima 79/84 PP	92.25	7.59	9.53	3.75	1.10.84
7½% Eurofima 79/87 PP	89.75	8.22	9.49	6.75	1.10.87
7¾% Eurofima 80/88 PP	98.50	8.38	8.54	6.83	1.11.87
8¼% Eurofima 80/87 PP	97.00	8.12	8.46	7.04	15. 1.88
6% Europ. Inv. Bank 69/84	93.25	6.43	9.79	2.14	1. 3.75—84D
7% Europ. Inv. Bank 69/84	96.25	7.35	9.58	2.28	1.11.75—84D
7½% Europ. Inv. Bank 71/86	95.00	7.89	9.62	3.07	1. 3.77—86D
7¾% Europ. Inv. Bank 71/86	95.00	8.16	9.66	3.12	1.10.77—86D
6½% Europ. Inv. Bank 72/87	91.25	7.12	10.03	2.98	1. 3.78—87D
6% Europ. Inv. Bank 72/87	89.50	6.70	9.67	3.46	1. 9.80—87D
6¾% Europ. Inv. Bank 73/88	92.25	7.32	8.23	7.08	1. 2.79—88S
7% Europ. Inv. Bank 73/88	91.50	7.65	8.57	7.50	1. 7.79—88S
10% Europ. Inv. Bank 74/81 PP	100.00	10.00	9.83	0.67	1. 9.81
9½% Europ. Inv. Bank 75/83	101.50	9.36	8.39	1.49	1. 1.81—83D
8% Europ. Inv. Bank 76/83	98.00	8.16	9.45	1.47	1. 7.80—83D
7¾% Europ. Inv. Bank 76/83 PP	95.50	8.12	9.65	2.75	1.10.83
6¾% Europ. Inv. Bank 76/84	93.25	7.24	10.10	2.36	1.12.81—84D
6% Europ. Inv. Bank 77/89	87.00	6.90	9.45	4.85	1. 8.82—89D
6% Europ. Inv. Bank 78/88 I PP	88.00	6.82	8.17	7.58	1. 1.88
6% Europ. Inv. Bank 78/88 II PP	80.50	7.45	9.64	7.87	15.11.88
5¼% Europ. Inv. Bank 78/90	79.00	6.65	9.51	6.95	1. 3.85—90D
6% Europ. Inv. Bank 78/90	80.50	7.45	9.09	9.75	1.10.90P
7½% Europ. Inv. Bank 79/89	88.75	8.45	9.49	8.42	1. 6.89
7⅝% Europ. Inv. Bank 79/89 PP	90.00	8.47	9.36	8.58	1. 8.89
6½% Europ. Inv. Bank 79/91	83.90	7.75	9.01	10.00	1. 1.91P
9¼% Europ. Inv. Bank 80/86	102.75	9.00	8.57	5.32	1. 5.86
7⅞% Europ. Inv. Bank 80/90	90.60	8.69	9.39	9.58	1. 8.90
8⅝% Europ. Inv. Bank 80/90	98.00	8.85	9.13	9.78	15.10.90
9% Europ. Inv. Bank 80/87 PP	101.50	8.87	8.69	6.87	15.11.87
9½% Europ. Inv. Bank 80/90	102.00	9.31	9.16	9.33	1. 5.90
9½% Europ. Inv. Bank 80/90	102.00	9.31	9.18	9.91	1.12.90
8¼% Europistas 71/86 (G)	95.25	8.66	10.38	2.98	1. 2.77—86D
8% Europistas 72/87 (G)	94.75	8.44	10.12	3.36	1. 1.78—87D
7¼% Fin. Inst. f. Dan. Ind. 76/81 PP	95.50	7.61	9.25	0.92	1.12.78—81S
7% Finland 68/83	96.25	7.27	10.21	1.35	1. 6.72—83D
6¾% Finland 68/83	96.75	6.98	8.63	1.89	1.12.72—83D
7% Finland 69/84	95.00	7.37	10.40	1.77	2. 5.73—84D
7½% Finland 69/84	92.75	8.09	11.65	2.18	1.10.73—84D
7% Finland 72/87	95.50	7.33	8.08	6.25	1. 4.78—87S
8% Finland 76/84	98.00	8.16	8.67	3.42	1. 6.81—84S
5½% Finland 78/83 PP	91.75	5.99	10.07	2.08	1. 2.83
6% Finland 78/83	90.00	6.67	10.12	2.92	1.12.83
5¾% Finland 78/86	84.00	6.85	9.90	5.08	1. 2.86
8% Finland 79/86	93.50	8.56	9.47	5.96	16.12.86
8½% Finn. Industriebank 80/90 (G)	94.00	9.04	9.84	6.09	1.11.83—90D
7½% Finn. Kommunal 69/81 (G)	97.75	7.67	10.37	0.92	1.12.72—81D
8% Finn. Kommunal 71/83 (G)	97.50	8.21	10.32	1.30	2. 5.76—83D
8¼% Forsmarks 75/83 (G)	97.25	8.48	10.29	1.47	1. 7.80—83D
5¾% Forsmarks 78/90 (G)	84.25	6.82	9.69	5.30	16. 1.83—90D
8⅞% Forsmarks 80/87 (G)	96.50	9.01	9.21	5.80	1.11.85—87D
7½% Francetel 76/83 (G)	95.50	7.85	9.38	2.79	16.10.83
6¾% Francetel 77/84 PP (G)	92.50	7.30	9.52	3.25	1. 4.84
7% Fuji Heavy 76/81 PP	97.50	7.18	9.96	0.92	1.12.81
9¼% Gen. Zbk. Vienna 75/82 PP	99.00	9.34	10.14	1.17	1. 3.82
8½% Gen. Zbk. Vienna 76/83 PP	98.00	8.67	9.31	1.57	1. 2.82—83D
6% Gen. Zbk. Vienna 77/87	86.25	6.96	9.70	4.92	1.12.83—87D
7% Giroz. Vienna 76/81	97.60	7.17	10.09	0.83	1.11.81
7¼% Giroz. Vienna 76/83	94.50	7.67	9.54	2.83	1.11.83
5½% Giroz. Vienna 77/82	92.90	5.92	10.10	1.75	1.10.82
5¾% Giroz. Vienna 78/86 PP	87.00	6.61	8.71	5.75	1.10.86
6⅞% Giroz. Vienna 79/84 PP	95.00	7.24	9.51	3.62	16. 8.84

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
8⅞% Giroz. Vienna 80/87 PP	99.25	8.94	9.01	6.42	1. 6.87
6% G. I. S. 78/83 PP	94.75	6.33	8.75	2.17	1. 3.82—83D
7% Grand Metrop. Fin. 77/84	92.00	7.61	9.72	3.58	1. 8.81—84S
8% Guest-Keen-Nettl. 76/83	97.00	8.25	9.45	2.34	2. 5.83
6¾% Hamersley Iron 72/87	87.50	7.71	9.39	6.50	1. 7.78—87S
8% Hazama-Gumi 76/81 PP	99.00	8.08	10.33	0.42	1. 6.81
8¾% Hazama-Gumi 80/85 PP	100.00	8.75	8.72	4.46	16. 6.85
7% Helsinki 68/83	96.50	7.25	8.77	2.50	1. 7.72—83S
9% Hidroeléctr. Ibérica 80/90	98.00	9.18	9.41	6.40	1. 8.84—90D
5¾% Hitachi Shipbldg. 78/83	90.25	6.37	9.69	2.96	16.12.83
8⅜% Honeywell Bull 80/90	95.00	8.82	9.17	9.58	1. 9.90P
8¾% IAKW. Vienna 75/85 (G)	97.50	8.97	10.00	2.24	1. 5.80—85D
10% IBM 80/86 PP	106.50	9.39	8.40	5.25	1. 4.86
7¼% Iceland 69/84	98.75	7.34	7.82	3.33	1. 5.73—84S
7¾% Iceland 77/87	97.50	7.95	8.27	6.24	1. 4.80—87S
6½% ICI Int'l 72/92	85.75	7.58	8.52	11.17	1. 3.78—92S
7½% ICI Int'l 76/86	92.25	8.13	9.55	4.89	1.12.84—86D
6¾% ICI Int'l 77/87	89.00	7.58	9.72	4.78	1. 5.84—87D
8% ICIPU 71/91 (G)	94.10	8.50	9.71	5.12	1. 1.77—91D
8% Imatran Voima 72/87 (G)	97.25	8.23	8.78	6.00	1. 1.78—87S
7% Indonesia 78/84	91.75	7.63	9.71	3.75	1.10.84
7¾% Ind. Dev. C. South-Afr. 78/82 PP (G)	97.00	7.99	10.20	1.33	1. 5.82
8% Ind. Dev. C. South-Afr. 78/83 PP (G)	97.00	8.25	9.36	2.50	1. 7.83
6½% Industr. Bk. Japan 73/81 PP	99.00	6.57	9.48	0.33	1. 5.81
5% Industr. Bk. Japan 78/84	89.50	5.59	9.16	3.00	1. 1.84
7⅜% Ind. Fund of Finnland 79/87 PP	94.50	7.80	8.73	5.16	16. 9.84—87D
7½% Ind. Min. Dev. Iran 73/85	79.50	9.43	14.10	4.33	1. 5.77—85S
7¾% Ind. Min. Dev. Iran 77/87	70.00	11.07	15.32	6.50	1. 7.83—87S
7¼% Ind. Min. Dev. Iran 78/84	60.00	12.08	24.92	3.71	16. 9.84
8% Ind. Mtgebk. Finl. 71/86 (G)	95.00	8.42	10.06	3.28	1.12.77—86D
7% Ind. Mtgebk. Finl. 72/87 (G)	92.00	7.61	10.14	3.31	1. 7.78—87D
6¾% Int. Am. Dev. Bank 68/83	99.50	6.78	7.09	2.50	1. 7.72—83S
7% Int. Am. Dev. Bank 69/84	99.50	7.04	7.29	3.58	1. 8.75—84S
8½% Int. Am. Dev. Bank 70/85	99.50	8.54	8.51	4.67	1. 9.76—85S
6¾% Int. Am. Dev. Bank 72/87 I	95.50	7.07	7.65	6.42	1. 6.78—87S
6¾% Int. Am. Dev. Bank 72/87 II	93.50	7.22	8.02	6.83	1.11.78—87S
8% Int. Am. Dev. Bank 76/83 PP	96.50	8.29	9.88	2.12	16. 2.83
8¼% Int. Am. Dev. Bank 76/83 PP	97.00	8.51	9.61	2.50	1. 7.83
7% Int. Am. Dev. Bank 77/87	89.50	7.82	9.37	6.00	1. 1.83—87S
6¼% Int. Am. Dev. Bank 78/88	83.00	7.53	9.71	7.00	1. 1.88
7¾% Int. Am. Dev. Bank 79/86	93.50	8.29	9.29	5.50	1. 7.86
8% Int. Am. Dev. Bank 79/89 PP	91.00	8.79	9.57	8.54	15. 7.89
8% Int. Am. Dev. Bank 80/88	93.25	8.58	9.34	7.08	1. 2.88
6¾% Int'l Com'l Bank 73/83	95.50	7.07	10.34	1.38	1. 6.79—83D
7½% Ireland 79/87 PP	91.50	8.20	9.32	6.33	1. 5.87
8⅛% Ireland 80/88	93.10	8.73	9.52	7.00	1. 1.88
7¾% ISCOR 71/86 (G)	94.00	8.24	9.39	5.42	1. 6.77—86D
7% ISCOR 72/87 (G)	90.50	7.73	11.02	3.04	1. 4.78—87D
7% ISCOR 73/88 (G)	89.95	7.78	10.66	3.40	1. 3.79—88D
8½% ISCOR 73/88 (G)	93.25	9.12	10.61	4.07	1.11.79—88D
7¾% ISCOR 78/82 PP (G)	97.00	7.99	12.13	0.74	1. 4.81—82D
8¼% ISCOR 78/84 PP (G)	92.00	8.97	10.91	3.79	16.10.84
7% Japan 68/83	99.10	7.06	7.59	2.17	1. 3.72—83S
8¼% Japan Air Lines 80/87 (G)	95.25	8.44	8.87	6.87	16.11.87
7¼% Japan Dev. Bank 76/83 (G)	96.25	7.53	9.14	2.25	1. 4.83
7⅝% Japan Dev. Bank 80/87 (G)	92.25	8.27	9.22	6.66	1. 9.87
10¼% Japan Synthetic 80/85 PP	102.50	10.00	9.48	4.28	15. 4.85
8% Johannesburg 71/86 (G)	93.50	8.56	10.59	3.02	1. 9.77—86D
6¼% Johannesburg 72/87 (G)	87.50	7.14	10.73	3.46	1. 9.78—87D
7¾% Johannesburg 78/82 PP (G)	95.00	8.16	11.95	1.33	30. 4.82
7¼% Jydsk Telefon 69/84	96.50	7.51	8.54	3.71	15. 9.75—84S
6¾% Jydsk Telefon 72/87	87.50	7.71	9.51	6.17	1. 3.78—87D
7¼% Jydsk Telefon 73/88	94.00	7.71	8.40	7.08	1. 2.79—88D
9% Jydsk Telefon 75/82 PP	98.50	9.14	10.05	1.50	1. 7.82
8½% Jydsk Telefon 80/90	94.25	9.02	9.47	9.08	1. 2.90
6¾% Kansai Electric 69/84	98.00	6.89	7.61	3.17	1. 3.75—84S
7¾% Kansai Electric 71/86	98.25	7.89	8.15	5.33	1. 5.77—86S
6¾% KELAG 73/88	91.00	7.42	8.43	7.33	1. 5.79—88S
6¾% KHD Finance 72/87	90.00	7.50	8.87	6.34	2. 5.78—87S
7⅜% Kjobenhavns H. Bank 76/83 PP	91.50	8.06	10.92	2.92	1.12.83
7½% Kjobenhavns Tel. 72/87	91.25	8.22	9.67	6.00	2. 1.78—87S
7% Kjobenhavns Tel. 72/87	86.00	8.14	10.08	6.33	1. 5.78—87S
6½% Kjobenhavns Tel. 73/88	83.25	7.81	9.83	7.25	1. 4.79—88S
5% KLM Royal Dtch Airl. 78/85 PP	93.00	5.38	8.52	2.25	1. 5.79—85D
7% Kobe 68/83 (G)	99.50	7.04	7.36	2.42	1. 6.73—83S
6¾% Kobe 69/84 (G)	98.00	6.89	7.57	3.33	1. 5.73—84S
7¾% Kobe 71/86 (G)	99.50	7.79	7.87	5.08	1. 2.77—86S
6¾% Kobe 72/87 (G)	95.00	7.11	7.77	6.33	1. 5.78—87S
7½% Kobe 76/83 (G)	96.00	7.81	9.39	2.42	1. 6.83
6½% Kobe 77/87 (G)	88.50	7.34	8.92	6.42	1. 6.87
5¾% Kobe 78/86 (G)	85.75	6.71	9.15	5.50	1. 7.86
7⅛% Kobe 79/89 (G)	87.00	8.19	9.36	8.75	1.10.89
8% Kobe 80/90 (G)	94.00	8.51	8.95	9.50	1. 7.90
7¾% Kommunl. Inst. 76/83	93.25	8.31	14.13	1.21	1. 4.81—83D
8% Kommunl. Inst. 76/84	94.00	8.51	9.96	3.79	15.10.77—84D
7¼% Korea Dev. Bank 77/84 (G)	88.00	8.24	11.19	3.32	1.12.84
5¼% Kubota Intn'l. 77/82 PP	94.25	5.57	9.81	1.40	1.12.81—82D
5¾% Kvaerner Ind. 78/88 PP	93.00	6.18	7.44	5.09	1. 3.84—88D
8½% Light-Servicos 77/82 (G)	98.00	8.67	10.35	1.17	1. 3.82
6¾% Light-Servicos 79/86 (G)	82.25	8.21	11.34	5.33	1. 5.86
8½% Light-Servicos 80/90 (G)	88.50	9.60	10.36	6.94	16. 1.86—90D
9¾% Lonrho Intern. 80/87	101.00	9.65	9.51	6.34	1. 5.87
6½% Lufthansa Intl. 79/86 PP	87.00	7.47	9.82	5.17	1. 3.86
7% Malaysia 72/84	95.00	7.37	10.03	1.86	1. 6.75—84D
6½% Malaysia 77/85	89.60	7.25	9.33	4.67	1. 9.85
9¼% Malmoe 75/84	100.00	9.25	9.23	2.05	1. 2.81—84D
8¼% Malmoe 76/83	97.00	8.51	10.27	1.65	1. 3.80—83D
6½% Manitoba 77/84	91.75	7.08	9.35	2.50	1. 7.84
6¾% Manit. Hydro El. 72/87	94.50	7.14	7.86	6.42	1. 6.78—87S
6¼% Megal Fin. Comp. 79/90	81.50	7.67	9.38	9.00	2. 1.85—90S
7% Megal Fin. Comp. 79/89	85.00	8.24	9.71	8.25	1. 4.87—89P
7% M E P C 73/88	93.25	7.51	8.27	3.60	1. 5.79—88D
7% Mexico 68/84	101.00	6.93	6.36	1.46	1. 1.73—84S
7¼% Mexico 73/88	94.75	7.65	8.27	7.00	1. 1.79—88S
9% Mexico 75/82	98.00	9.18	10.42	1.50	1. 7.82
8% Mexico 76/83	97.25	8.23	9.23	2.42	1. 6.83
7¾% Mexico 77/84	93.50	8.29	10.06	3.42	1. 6.84
6% Mexico 78/85	86.00	6.98	10.21	4.25	1. 4.85
8¾% Michelin Finance 80/87 PP	97.75	8.95	9.20	6.87	16.11.87
8½% Midland Int. Fin. 80/90	96.25	8.83	9.08	9.78	15.10.90
6½% Mitsubishi Chemical 79/84	93.75	6.93	8.72	3.33	30. 4.84
5¾% Mitsubishi Petro 78/83	91.25	6.30	9.60	2.67	1. 9.83
7¾% Mitsui Toatsu 75/81 PP	98.50	7.87	9.94	0.71	15. 9.81
9% MODO 75/83	99.25	9.07	9.52	1.39	1. 6.80—83D
7% Montreal 69/89	89.25	7.84	10.07	4.50	1. 4.70—89D
6% Montreal 72/92	86.25	6.96	9.22	5.65	1. 9.73—92D
6¾% Montreal 73/93	94.00	7.18	7.50	12.42	1. 6.74—93S
8½% Montreal 76/86	98.25	8.65	8.89	5.50	1. 7.77—86S
7% Montreal 77/87	90.50	7.73	8.97	6.54	16. 7.78—87S
7½% Mortg. Denmark 69/84 (G)	98.00	7.65	8.28	2.83	1.11.75—84S
7% Mortg. Denmark 73/88 (G)	94.50	7.41	7.99	7.50	1. 7.79—88S
8½% Mortg. Denmark 80/90 (G)	94.15	9.03	9.44	9.60	1. 7.90
6¾% Mortg. Bk. Finl. 69/84 (G)	98.00	6.89	7.59	3.25	1. 4.73—84S
8¾% Nafi. Mexico 76/83 PP (G)	95.50	9.16	10.61	2.92	1.12.83
7% Nafi. Mexico 77/82 PP (G)	95.00	7.37	10.37	1.67	1. 9.82
8¾% Nafi. Mexico 77/84 (G)	96.00	9.11	10.27	3.17	1. 3.84
8¾% Nafi. Mexico 77/84 PP (G)	96.50	9.07	10.07	3.17	1. 3.84
8¼% Nat. Bk. Hungary 75/81	99.25	8.31	9.65	0.50	1. 7.81
6½% Nat. Bk. Hungary 77/85	89.75	7.24	9.21	4.83	1.11.85
7% Nat. Nederl. Fin. Maat 79/86 PP	93.50	7.49	8.46	5.75	1.10.86
8% Nat'l. Westm. Bk. 73/88	97.00	8.25	8.53	7.75	1.10.79—88S
8% Nederl. Gasunie 79/86	96.10	8.32	8.87	5.92	1.12.83—86
8½% Nederl. Gasunie 80/87	98.25	8.65	8.87	6.17	1. 3.84—87S
6¾% New Brunswick 72/87	90.00	7.50	8.75	6.83	1.11.78—87S
7¼% Newfoundland 69/84	96.00	7.55	8.75	3.58	1. 8.75—84S
8% Newfoundland 71/86	98.00	8.16	8.45	5.58	1. 8.77—86S
6¾% Newfoundland 72/87	88.00	7.67	9.18	6.83	1.11.78—87S
6½% Newfoundland 73/88	89.00	7.30	8.59	7.25	1. 4.81—88S
6¾% New Zealand 69/84	95.25	7.09	9.56	2.06	1. 2.75—84D
7½% New Zealand 71/86	96.75	7.75	9.07	2.71	1. 5.77—86D
7% New Zealand 72/87	93.00	7.53	9.46	3.45	1. 2.78—87D
7½% New Zealand 76/83	99.25	7.56	7.87	2.17	1. 3.83
7¾% New Zealand 76/86	94.85	8.17	9.43	3.74	1.11.82—86D
6¼% New Zealand 77/86	93.50	6.68	8.55	3.33	1. 5.84
5¼% New Zealand 78/86	84.00	6.25	9.28	5.17	1. 3.86
6% New Zealand 79/86 PP	88.00	6.82	9.04	5.08	1. 2.86
6¼% New Zealand 79/87	87.50	7.14	9.04	6.00	1. 1.87
7⅛% New Zealand 79/87	89.50	7.96	9.28	6.71	15. 9.87
8¼% New Zealand 79/84 PP	97.00	8.51	9.19	3.92	1.12.84
7⅞% New Zealand 80/88	93.50	8.42	9.09	7.54	15. 7.88
6¾% Nippon Housing Loan 79/84 PP	92.50	7.30	9.42	3.37	16. 5.84
6½% Nippon Kokan 79/84	91.80	7.08	9.53	3.25	1. 4.84
5¾% Nippon Steel 78/85	86.25	6.67	9.52	4.67	1. 9.85
8¾% Nippon T + T 75/82 (G)	99.50	8.79	9.17	1.17	1. 3.82
8¼% Nippon T + T 75/82 (G)	98.60	8.37	9.28	1.42	1. 6.82
7¾% Nippon T + T 76/83 (G)	98.50	7.87	8.36	2.75	1.10.83
5½% Nippon T + T 79/87 (G)	84.00	6.55	9.03	6.08	1. 2.87
5¾% Norcem 78/85	88.50	6.50	9.18	4.17	1. 3.85
5⅜% Norcem 79/86 PP	83.00	6.43	10.13	5.67	1. 9.86
5% Norddt. LB Int'l. 78/84 PP	91.50	5.46	8.23	3.08	1. 2.84
6¼% Nordic Inv. Bank 79/86	86.00	7.27	9.94	5.00	1. 1.86
8½% Norges Komm. Bank 70/85 (G)	99.00	8.59	8.65	4.75	1.10.76—85S
7% Norges Komm. Bank 76/81 (G)	99.10	7.06	9.64	0.33	1. 5.81
7% Norges Komm. Bank 77/89 (G)	94.50	7.41	7.92	8.25	1. 4.80—89S
6% Norges Komm. Bank 77/89 I (G)	90.00	6.67	7.60	8.79	16.10.80—89S
6% Norges Komm. Bank 77/89 II (G)	86.75	6.92	8.15	8.91	1.12.80—89S
6% Norges Komm. Bank 78/90 (G)	85.25	7.04	8.28	9.58	1. 8.81—90S
6¼% Norges Komm. Bank 79/89 (G)	89.75	6.96	8.04	8.00	1. 1.84—89S
7⅜% Norges Komm. Bank 79/89 PP (G)	91.00	8.10	8.90	8.62	16. 8.84—89S
7¾% Norges Komm. Bank 79/91 (G)	90.75	8.54	9.14	10.50	1. 7.84—91S
8¼% Norges Komm. Bank 79/94 (G)	95.25	8.66	8.85	13.96	16.12.85—94S
8¼% Norpipe 76/84	96.85	8.60	8.93	3.08	1. 2.80—84S
8% Norpipe 76/88	94.60	8.46	9.01	7.42	1. 6.83—88S
6% Norpipe 77/89	80.50	7.45	9.23	8.82	1.11.84—89S
7¼% Norsea Gas 76/88	90.25	8.03	9.03	7.92	1.12.83—88S
7% Norsea Gas 77/89	86.80	8.06	9.30	8.50	1. 7.84—89S
9% Norsk Hydro 75/87	99.00	9.09	9.36	2.99	1. 3.80—87D
8% Norsk Hydro 76/88	96.00	8.33	8.76	7.25	1. 4.83—88S
6¾% Norsk Hydro 77/89	89.75	7.52	8.49	8.42	1. 6.82—89S
7% Norway 76/81	99.00	7.07	9.95	0.33	1. 5.81
7½% Norway 76/81	98.90	7.58	9.67	0.50	1. 7.81
6½% Norway 77/82	97.10	6.69	9.68	1.00	1. 1.82
6¼% Norway 77/82	97.00	6.44	8.85	1.25	1. 4.82
5¾% Norway 77/82	94.60	6.08	9.54	1.58	1. 8.82
4¾% Norway 78/83	92.25	5.15	9.17	2.00	1. 1.83
4⅜% Norway 78/83	90.50	4.83	9.22	2.25	1. 4.83
6¼% Norway 79/84	95.50	6.54	7.86	3.25	1. 4.84
7½% Norway 80/85	98.10	7.65	8.07	4.04	15. 1.85
7¼% Norw. Mortgage 77/87	92.00	7.88	9.59	4.26	16. 5.83—87D
6% Norw. Mortgage 77/89	86.75	6.92	9.36	5.14	16.11.82—89D
7¾% Nova Scotia 71/86	95.75	8.09	9.49	3.28	1.12.77—86D
7% Nova Scot. Power 72/87	95.00	7.37	7.96	6.92	1.12.78—87S
9¾% Nuclebras 80/88 (G)	91.75	10.63	11.39	7.70	16. 9.88
6¾% Occident. Int. Fin. 78/90	85.50	7.89	9.02	9.32	1.12.85—90S
6½% Occident. Overs. 68/83	94.00	6.91	9.21	1.75	1.10.72—83S
6% Oester. Donaukr. 59/84 (G)	93.50	6.42	9.79	2.05	1. 2.65—84D
6¾% Oester. Donaukr. 73/88 (G)	90.25	7.48	8.62	7.17	1. 3.79—88S
8¾% Oester. Draukr. 75/85 (G)	99.50	8.79	8.95	2.61	1. 3.81—85D
7% Oest. El. Wirtsch. 67/87 (G)	93.50	7.49	9.45	3.45	1. 2.73—87D
7% Oest. El. Wirtsch. 76/83 PP (G)	95.25	7.35	8.89	2.96	16.12.83
5½% Oest. Ind. Verwaltung 78/85 PP (G)	89.50	6.15	8.38	4.50	1. 7.85
6⅞% Oest. Inv. Kredit. 79/85 PP	99.25	6.93	7.10	3.83	1.11.84
7% Oest. Kontrollbank 76/83 PP (G)	93.00	7.53	9.87	2.92	1.12.83
6¾% Oest. Kontrollbank 77/84 PP (G)	92.50	7.30	9.67	3.08	1. 2.84
6½% Oest. Kontrollbank 77/84 PP (G)	89.50	7.26	10.19	3.50	1. 7.84
6¼% Oest. Kontrollbank 77/84 PP (G)	89.50	6.98	9.84	3.58	1. 8.84
6% Oest. Kontrollbank 77/85 PP (G)	88.00	6.82	9.17	4.83	1.11.85
5¾% Oest. Kontrollbank 78/84 PP (G)	88.50	6.50	9.68	3.58	1. 8.84
6½% Oest. Kontrollbank 78/88 (G)	85.50	7.60	9.14	7.96	16.12.88
6% Oest. Kontrollbank 79/87 PP (G)	85.50	7.02	9.21	6.08	1. 2.87
7⅜% Oest. Kontrollbank 79/89	89.25	8.26	9.21	8.75	1.10.89
8% Oest. Kontrollbank 79/84 PP (G)	97.00	8.25	8.93	3.92	1.12.84
7⅞% Oest. Kontrollbank 79/86 PP (G)	96.00	8.20	8.76	5.96	16.12.86
8% Oest. Kontrollbank 80/87 (G)	96.00	8.33	8.87	6.08	1. 2.87
8¾% Oest. Kontrollbank 80/85 PP (G)	99.75	8.77	8.81	4.21	15. 3.85
8½% Oest. Kontrollbank 80/88 (G)	97.00	8.76	9.04	7.63	1.11.88
9% Oest. Kontrollbank 80/87 PP	99.50	9.05	9.09	6.37	15. 5.87
8¼% Oest. Kontrollbank 80/92	92.25	8.94	9.37	11.50	1. 7.92
7¾% Oest. Kontrollbank 80/88 PP (G)	94.00	8.24	8.85	7.67	1. 9.88
5½% Oest. Länderbank 77/82	92.90	5.92	9.73	1.92	1.12.82
6½% Ontario 69/84	94.50	6.88	9.73	2.05	1. 2.75—84D
6% Ontario 72/87	90.25	6.65	9.39	3.49	1. 9.80—87D
7½% Ontario Hydro 71/86	96.00	7.81	8.95	3.29	1.12.77—86D
6½% Ontario Hydro 72/87	91.75	7.08	9.56	3.23	1. 6.80—87D
6½% Ontario Hydro 73/88	90.50	7.18	9.46	3.99	1. 3.81—88D
7½% Oslo 69/84	96.25	7.79	9.58	2.28	1.11.75—84D
7½% Oslo 71/87	96.00	7.81	8.54	6.00	2. 1.78—87S
6¾% Oslo 73/90	90.85	7.43	8.16	9.50	1. 7.76—90S
9% Oslo 75/87	99.00	9.09	9.21	6.17	1. 3.78—87S
8¾% Oslo 80/90	98.70	8.87	8.96	9.17	1. 3.83—90S
6¾% Papua 73/88	94.00	7.18	7.83	7.50	1. 7.79—88S
6¾% Parker-Hannifin 77/87 PP	88.00	7.67	10.31	4.32	1. 6.83—87D
7½% Parker-Hannifin 79/87 PP	89.25	8.40	10.13	5.47	1. 7.85—87D
8¾% Pemex 76/83	98.00	8.93	9.56	2.92	1.12.83
7% Pemex 77/84	90.25	7.76	10.30	3.67	1. 9.84
7% Pemex 78/86	88.25	7.93	10.11	5.00	1. 1.86
7% Petrobras 77/84	89.40	7.83	10.55	3.75	1.10.84
7% Petrobras 78/88	83.00	8.43	11.21	5.64	1.10.84—88D
8% Petrobras 79/89	85.50	9.36	11.19	6.64	1.10.85—89D
7¼% Philippine 77/84	90.50	8.01	10.36	3.83	1.11.84
6¾% Philippin 78/85	88.50	7.63	10.20	4.25	1. 4.85
8¾% Philips 75/81 PP	99.50	8.79	10.53	0.25	1. 4.81
8½% Philips 75/81 PP	99.50	8.54	10.03	0.29	15. 4.81
8¾% Philips 75/82	99.25	8.82	9.38	1.21	15. 3.82
5¾% PK-Banken 78/88	83.00	6.93	10.07	5.24	1. 5.84—88D
6⅛% Postipankki 79/85 PP	94.00	6.52	8.87	2.52	1. 2.82—85D
7¼% Privatbk. Copenh. 77/83 PP	93.00	7.80	10.89	2.25	1. 4.83
6¼% Pyhrn Autobahn 77/89 (G)	85.75	7.29	9.44	6.04	1. 9.84—89D
6½% Quebec 72/87	91.00	7.14	9.75	3.51	1. 7.78—87D
7½% Quebec 77/87	90.25	8.31	9.69	6.06	1. 2.87
7¼% Quebec 77/87	88.00	8.24	9.84	6.42	1. 6.87
6% Quebec 78/90	85.00	7.06	9.07	6.71	1. 5.85—90D
6¾% Quebec Hydro El. 69/84	98.00	6.89	7.62	3.08	1. 2.75—84S
7¼% Quebec Hydro El. 69/84	94.75	7.65	10.32	2.11	1. 9.75—84D
8% Quebec Hydro El. 71/86	95.50	8.38	9.68	3.03	1. 9.77—86D
6½% Quebec Hydro El. 72/87	90.75	7.16	10.15	3.06	1. 4.78—87D
6½% Quebec Hydro El. 73/88	90.25	7.20	9.54	3.99	1. 3.79—88D
6½% Quebec Hydro El. 77/87	87.75	7.41	9.02	6.62	16. 8.87P
6¼% Quebec Hydro El. 77/87	86.00	7.27	9.06	6.92	1.12.87P
8½% Queensland Alu. 70/85	99.00	8.59	8.94	4.83	1.11.76—85S
5¾% Rautaruukki 78/88 (G)	86.50	6.65	9.13	5.16	1. 4.84—88D
7¼% Reed Paper 73/88	92.90	7.80	8.64	7.00	1. 1.79—88S

WestLB Euro-Deutschmarkbond Yield Index

December 31, 1980: 9.49% November 28, 1980: 9.55%

Issue	Middle Price	Current Yield	Yield to Maturity*	Life*	Repayment
7½% Renault 80/85 PP	94.00	7.98	9.12	4.67	1. 9.85
8½% Renfe 76/82 (G)	100.00	8.50	8.44	1.50	1. 7.82
8% Renfe 77/84 (G)	95.00	8.42	9.85	3.25	1. 4.84
7% Renfe 79/87 (G)	88.25	7.93	9.31	6.42	1. 6.87
9% Rep. Chile 80/86	97.00	9.28	9.70	5.58	1. 8.86
5¼% Ricoh Comp. 78/83	89.75	5.85	9.91	2.56	1. 8.83
7¾% Roy. Bk. of Canada 80/90	93.50	8.29	8.77	9.38	1. 8.90
6¾% Roy Lease 79/84 PP	96.00	7.03	8.01	3.75	1.10.84
7¾% SAAB 71/86	98.75	7.85	8.20	5.42	1. 6.77—86S
7½% Saga Petrokjemi 77/87 PP	94.50	7.94	8.62	6.50	1. 7.83—87S
7½% Sandvik 72/87	94.75	7.92	9.34	3.45	1. 2.78—87D
9¼% Sandvik 75/83	100.25	9.23	9.10	2.08	1. 2.83
7% Sanko Steamship 77/84	93.50	7.49	9.52	3.08	1. 2.84
8¼% Seiyu Stores 80/86	98.25	8.40	8.69	5.17	1. 3.86
6½% Shell Int'l. 72/87	93.00	6.99	7.85	6.25	1. 4.78—87S
6¾% Shell Int'l. 77/89	89.25	7.56	9.15	6.00	1. 2.85—89D
7% Siemens Europe 66/81	99.50	7.04	7.60	0.83	1.11.70—81S
7% Singapore 72/82	96.60	7.25	9.71	1.50	1. 7.76—82S
6½% Singapore 77/83	96.00	6.77	8.43	2.33	1. 5.83
8½% Sira Kvina 79/85	98.50	8.63	9.44	2.33	1. 6.76—85D
6½% S.N.C.F. 68/83 (G)	95.00	6.84	8.69	2.75	1.10.72—83S
7½% Soc. Dev. Reg. 76/86 (G)	95.00	7.89	9.49	2.96	1. 4.80—86D
6¼% Soc. Dev. Reg. 77/92 PP (G)	83.00	7.53	9.67	7.08	16.12.83—92D
9% Soc. Mer. Fina 75/83 PP	98.25	9.16	10.42	1.33	1. 5.79—83D
6¼% Sorrente 79/84 PP	92.50	6.76	9.18	3.04	16. 1.84
6¾% South-Africa 69/84	99.50	6.78	7.04	3.25	1. 4.73—84S
8½% South-Africa 70/85	99.60	8.53	8.73	4.63	1.11.76—85S
7¾% South-Africa 71/86	98.50	7.87	8.24	5.82	1.11.77—86S
7% South-Africa 72/87	98.75	7.09	7.23	6.83	1.11.78—87S
9% South-Africa 80/87	97.25	9.25	9.57	6.50	1. 7.87
8% South-Afr. Broadc. 78/81 PP (G)	98.50	8.12	17.29	0.17	due 1. 3.81
7¼% South-Afr. Oil Fund 78/81 I PP (G)	97.00	7.47	11.15	0.83	1.11.81
7¼% South-Afr. Oil Fund 78/81 II PP (G)	97.00	7.47	10.39	0.87	16.11.81
7¾% South-Afr. Oil Fund 78/82 I PP (G)	95.50	8.12	10.93	1.58	1. 8.82
7¾% South-Afr. Oil Fund 78/82 II PP (G)	95.00	8.16	11.06	1.71	16. 9.82
8% South-Afr. Oil Fund 79/83 PP (G)	93.50	8.56	10.76	2.83	1.11.83
7¾% South-Afr. Oil Fund 79/84 PP (G)	93.00	8.33	10.44	3.17	1. 3.84
7½% South-Afr. Railway 73/88 (G)	93.00	8.06	8.81	7.42	1. 6.79—88S
7¾% South-Afr. Railway 78/82 PP (G)	95.00	8.16	11.24	1.33	1. 5.82
8% South-Afr. Railway 78/83 I PP (G)	94.00	8.51	10.62	2.50	1. 7.83
8% South-Afr. Railway 78/83 II PP (G)	94.00	8.51	10.66	2.67	1. 9.83
7¾% South-Afr. Railway 78/83 PP (G)	92.50	8.38	10.87	2.92	1.12.83
7% South Scotl. El. 73/88 (G)	92.25	7.59	8.30	7.08	1. 2.79—88S
6¾% Spain 77/84	92.50	7.30	9.23	3.58	1. 8.84

CONVERTIBLES—U.S. (CONTINUED)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WestLB Euro-Deutschmarkbond Quotations (Continued)

Issue	Middle Price	Current Yield	Yield to maturity*	Life**	[illegible]
6% Spain 78/88	82.83	7.24	9.32	7.33	1. 5.88
6% Sparban Oslo 78/90 PP	88.00	6.82	9.37	4.51	15. 5.81—90D
7¾% Standard Imp. & Exp. 78/82 PP	96.00	8.07	10.56	1.58	1. 8.82
6½% Stand. Chart. Bank 78/88	85.50	7.60	9.42	7.00	1. 1.88
6% Statoil 78/88 (G)	82.75	7.25	9.23	7.67	1. 9.84—88S
6½% Statoil 79/89 (G)	84.15	7.72	9.35	8.17	1. 3.86—89S
7% Statsfoeretag 77/85	93.00	7.53	10.17	2.81	1. 3.82—86D
8¾% Stockholm County 75/87	100.00	8.75	8.72	3.06	1. 4.79—87D
8½% Sumitomo Metal 75/82	99.00	8.59	9.17	1.50	1. 7.82
7½% Sun Oil Int. Fin. 73/88	97.00	7.73	8.03	7.58	1. 6.75—88S
7¼% Svenska Cell 73/88	94.00	7.71	8.40	7.08	1. 2.79—88S
9% Svenska Taendst. 75/85	101.90	8.83	7.95b	2.06	1. 3.80—85S
6¾% Sveriges Inv. Bk. 72/87	88.75	7.61	9.21	6.17	1. 3.78—87S
7% Sveriges Inv. Bk. 73/88	90.50	7.73	8.84	7.12	1. 3.79—88S
8½% Sveriges Inv. Bk. 75/83	99.00	8.59	8.94	2.42	1. 6.80—83S
6½% Sweden 77/89	92.00	7.07	9.38	3.33	1. 5.84
6% Sweden 77/89	81.50	7.36	9.12	8.92	1.12.83—89S
7¾% Sweden 79/89	89.40	8.67	9.82	8.50	1. 7.89
7½% Sweden 79/89 PP	87.50	8.57	9.70	8.58	1. 8.89
8% Sweden 80/87 PP	95.25	8.40	9.04	6.12	16. 2.87
9¾% Sweden 80/87	103.00	9.47	9.08	6.25	1. 4.87
9 % Sweden 80/87 PP	98.50	9.14	9.30	6.37	15. 5.87
9¼% Sweden 80/87 PP	100.25	9.23	9.19	6.83	1.11.87
7¾% Sweden 80/90	91.50	8.61	9.23	9.67	1. 9.90
9½% Swedish Export 80/87	100.60	9.44	9.34	6.36	1.12.84—87S
9½% Tauernautobahn 74/81 (G)	100.00	9.50	9.27	0.50	1. 7.81
9% Tauernautobahn 75/82 PP (G)	100.00	9.00	8.95	1.17	1. 3.82
9% Tauernautobahn 75/83 PP (G)	100.00	9.00	8.97	2.17	1. 3.83
5½% Tauernautobahn 78/93 (G)	78.00	7.05	8.45	12.25	1. 4.84—93S
8½% Tauernautobahn 80/90 (G) PP	98.00	8.67	8.80	9.78	16.10.90
7% Tauernkraftwerke 68/83 (G)	96.25	7.27	9.85	1.57	1. 2.74—83D
6½% Tauernkraftwerke 68/83 (G)	98.50	6.60	7.25	2.67	1. 8.74—83S
8% Tenpfinco 73/93	91.00	8.79	9.22	12.83	1.11.82—93S
9½% Tenpfinco 75/82 PP	99.00	9.60	10.39	1.17	1. 3.82
6¼% Thailand 78/83 PP	93.25	6.70	9.70	2.25	1. 4.83
8½% Thyssen Car. Fin. 75/82 PP	98.00	8.67	10.21	1.25	1. 4.82
8¼% Thyssen Car. Fin. 75/82 PP	97.50	8.46	10.05	1.50	1. 7.82
6½% Thyssen Inv. 66/81	99.35	6.54	10.35	0.17	due 1. 3.72—81D
7¼% Tokyo El. Power 69/84	95.50	7.59	9.64	2.36	1.12.75—84D
6½% Tokyo El. Power 79/85	90.00	7.22	9.40	4.33	1. 5.85
5½% Toyo Rubber 78/83 PP	89.50	6.15	10.04	2.75	1.10.83
6½% Traf. House Fin. 72/87	88.50	7.34	8.82	6.75	1.10.78—87S
6% Trinidad & Tobago 78/83	92.50	6.49	9.85	2.25	1. 4.83
6¾% Trondheim 68/83	95.15	7.09	8.85	2.92	1.12.72—83S
5¾% Trondheim 78/88	82.50	6.97	9.61	6.22	1. 4.88
7½% T R W Int. Fin. 69/84	98.00	7.65	8.29	3.75	1.10.75—84S
6% T V O Power 78/88 (G)	88.25	6.80	8.25	7.08	1. 2.81—88S
5¾% UDS Group 78/83	90.75	6.34	9.83	2.67	1. 9.83
9¾% Unilever 74/81 PP	99.75	9.77	10.01	0.92	1.12.81
8½% Unilever 75/87	100.00	8.50	8.48	6.33	1. 5.81—87S
6½% Union Bank Finland 78/88	88.75	7.32	8.50	7.96	15.12.84—88S
5¾% Uniroyal 78/84 PP	79.50	7.23	13.27	3.58	1. 8.84
6¾% Unit. Arab. Emirats 77/82 PP	93.50	7.22	12.26	1.33	30. 4.82
7% Venezuela 68/83	97.50	7.18	8.16	2.75	1.10.74—83S
6% Venezuela 78/88	81.00	7.41	9.81	7.17	1. 3.84—88S
6½% Venezuela 78/90	81.50	7.98	9.47	9.88	1.11.86—90S
9¾% Venezuela 80/90	97.50	10.00	10.15	9.83	1.11.86—90
7% Vienna 68/83	98.00	7.14	8.08	2.42	1. 6.74—83S
8¼% Vienna 75/84	97.00	8.51	9.30	2.02	1. 8.78—84D
5¾% Vienna 77/84 PP	89.00	6.46	9.19	3.96	15.12.84
8½% Voest-Alpine 73/88	96.90	8.77	9.06	7.75	1.10.79—88S
8½% Voest-Alpine 75/85	98.00	8.67	9.45	2.33	1. 6.81—85D
6¾% Voest-Alpine 77/89	88.25	7.65	9.46	5.79	1. 6.84—89D
6½% Wells-Fargo ex w. 73/88	91.00	7.14	8.09	7.83	1.11.79—88S
8¾% Westland-Utrecht 80/85 PP	97.50	8.97	9.48	4.17	1. 3.85
9% Westland-Utrecht 80/87 PP	98.25	9.16	9.35	6.83	1.11.87
5½% Worldbank 65/85	99.50	5.53	5.71	4.26	1. 4.71—85S
6½% Worldbank 68/84 PP	95.50	6.81	9.09	1.87	2. 1.77—84D
6½% Worldbank 69/84	95.00	6.84	9.72	1.85	1. 6.76—84D
6½% Worldbank 69/84 PP	95.50	6.81	9.09	1.97	2. 1.77—84D
6% Worldbank 69/84 PP	95.50	6.28	8.84	1.70	1. 4.77—84D
8% Worldbank 70/86	99.50	8.04	8.20	2.92	1. 1.77—86D
7½% Worldbank 71/86 I	94.75	7.92	9.71	2.78	1. 6.77—86D
7½% Worldbank 71/86 II	96.00	7.81	8.95	3.29	1.12.77—86D
6½% Worldbank 72/82	96.50	6.74	9.06	1.50	1. 7.82
6¾% Worldbank 72/87	92.25	7.32	9.41	3.54	1. 3.78—87D
6¾% Worldbank 73/83	94.60	7.14	9.72	2.08	1. 2.83
6¾% Worldbank 73/88	90.25	7.06	9.70	3.59	1. 5.79—88D
8¾% Worldbank 75/82	98.00	8.42	9.76	1.42	1. 6.82
8% Worldbank 75/82	99.25	8.06	8.43	1.92	1.12.82
8¼% Worldbank 75/83	99.85	8.26	8.28	2.50	1. 7.83
8% Worldbank 76/82 PP	97.50	8.21	9.71	1.58	1. 8.82
7¾% Worldbank 76/82 PP	97.00	7.99	9.65	1.75	1.10.82
7½% Worldbank 76/83	96.00	7.81	9.45	2.39	1. 5.83
7¾% Worldbank 76/83	96.35	8.04	9.28	2.75	1.10.83
6¾% Worldbank 76/83 PP	92.50	7.30	9.82	2.92	1.12.83
8% Worldbank 76/84	97.50	8.21	8.95	3.08	1. 2.84
5½% Worldbank 77/82 PP	93.50	5.88	9.79	1.71	15. 9.82
7% Worldbank 77/85 PP	92.50	7.57	9.24	4.17	1. 3.85
6½% Worldbank 77/85 PP	89.50	7.26	9.55	4.50	1. 5.85
6% Worldbank 77/85	86.50	8.78	9.10	4.71	15. 9.85
7% Worldbank 77/87	89.00	7.87	9.49	6.00	1. 1.87
6½% Worldbank 77/87	86.50	7.51	9.41	6.33	1. 5.87
5¾% Worldbank 78/84	89.75	6.41	9.22	3.58	1. 8.84
6% Worldbank 78/88	82.00	7.32	9.41	7.58	1. 8.88
6¼% Worldbank 78/88	84.00	7.44	9.18	7.92	1.12.88
5¾% Worldbank 78/90	80.50	7.14	9.49	7.53	1. 2.87—90D
7% Worldbank 79/85 PP	91.00	7.69	9.49	4.58	1. 8.85
7¾% Worldbank 79/87 PP	88.00	8.10	8.88	6.58	1. 8.87
7¾% Worldbank 79/91	89.50	8.66	9.35	10.50	1. 7.91
10% Worldbank 80/86	104.25	9.59	8.94	5.33	1. 5.86
8½% Worldbank 80/88 PP	96.50	8.81	9.15	7.42	1. 6.88
9% Worldbank 80/88 PP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9½% Worldbank 80/90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9¼% Worldbank 80/90 II PP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10% Worldbank 80/90	105.50	[illegible]	[illegible]	[illegible]	[illegible]
9¼% Worldbank 80/90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9¾% Worldbank 80/88 PP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7¾% Worldbank 81/91	101.50	[illegible]	[illegible]	[illegible]	[illegible]
6¾% Yokohama 68/83 (G)	99.00	[illegible]	[illegible]	[illegible]	[illegible]
7% Yokohama 69/84 (G)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6% Yokohama 71/86 (G)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8½% Yugosl. Inv. Bank 77/84 PP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT FUNDS

The following funds include Eurobond issues within their portfolios
Quotations & yields as at 31st December, 1980

SOCIETE GENERAL De BANQUE
BANQUE GENERALE Du LUXEMBOURG

Funds	31/12/80 Price	First Issue Price	Yield %	Div. Date	1/1/80 High	31/12/80 Low	1/1/80 High	31/12/80 Low
Rentinvest	LuxFr 747	LuxFr 1000	9.67	20/11/80	LuxFr 800	LuxFr 727	LuxFr 918	LuxFr 727
Capital Rentinvest	LuxFr 1467	LuxFr 1000		(F71) (Capitalisation)	LuxFr 1469	LuxFr 1321	LuxFr 1469	LuxFr 1286

The Association of International Bond Dealers

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Credit Commercial de France (Securities) Ltd.
Creswale International
Dillon, Read Overseas Corporation
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First Chicago Ltd.
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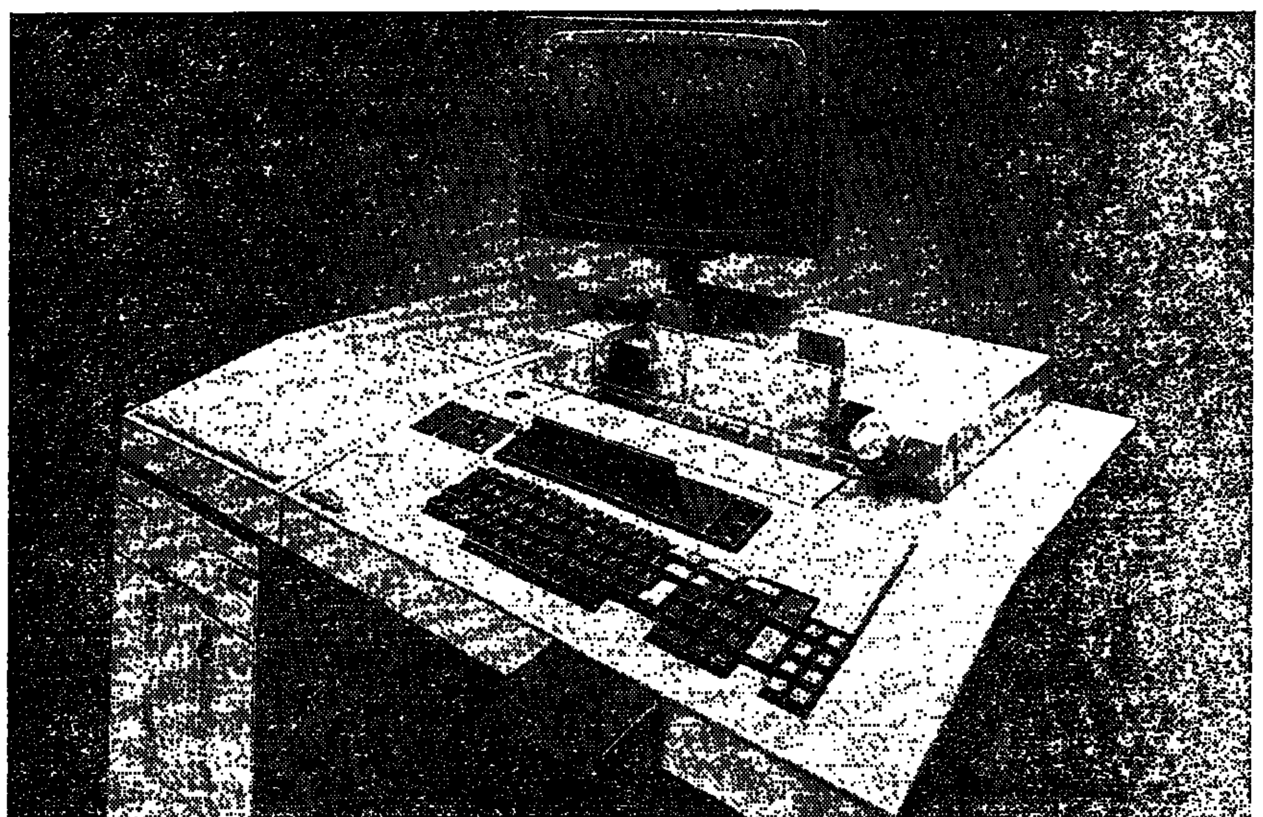

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LOMBARD

The myth of an OPEC cartel

BY SAMUEL BRITTAN

A MYTH long due for debunking is that oil prices are set above market rates by an international cartel known as the Organisation of Petroleum Exporting Countries (OPEC). At the time of the first oil price explosion of 1973-74, Professor Milton Friedman predicted that the OPEC would, like most other cartels, disintegrate from its inner contradictions and the price of oil fall back. Ever since Mr. Denis Healey has been gleefully pointing to the egg on the professor's face, as if it demonstrated something wrong with market economics.

Friedman's true error looks, however, as if it was of an entirely opposite kind. The oil price has either been a normal market one, or in some cases even below it. For the political interference that has taken place has been in the form of an anti-cartel by an iner group of four producers — Saudi Arabia, Kuwait, the United Arab Emirates and Qatar. These have at times increased output by more than a calculation of narrow self interest would suggest in order to cushion the world economy (and thus their political regimes) from major disruptions of supply and price.

Companies

The story of what has occurred is explained by Professor Bruce Scott in the Harvard Business Review of January 1981. Until the early 1970s, the oil market was a buyers' one in the sense that free market price was unsatisfactory to many producers. The world oil companies tried, whenever the U.S. anti-trust authorities would let them, to hold down production to maintain prices. For the same purposes oil imports to the U.S. were controlled and the Texas Railroad Commission imposed quotas on U.S. domestic output.

The state of the market began to change in the late 1960s and early 1970s when rapidly rising world demand for oil overtook U.S. spare capacity and made the price subject to disruption. The Arab-Israeli War of 1973 brought forward and concentrated into a few months a multiple increase in prices which the oil companies had in any case envisaged in the course of the decade.

The key to producer attitudes is the discrepancy between oil reserves and revenue on the one hand and levels of population and development on the other. There are some oil exporters with moderate sized or large populations, such as Nigeria, Mexico and Indonesia. But the countries with the biggest oil reserves such as Saudi Arabia, Kuwait, Libya and Abu Dhabi, tend to be sparsely populated. Once the oil price reaches a certain level it may be rational for some producers to react to further increases by restricting rather than by expanding output.

Proceeds

Theoretically, the price of oil should rise to a point where the expected return on the proceeds should be equal to the expected return from keeping the oil in the ground. But like many theoretical tautologies this gives a misleading impression of precision where none exists. Not only is the real return on financial investment in Western capital markets uncertain. Even more uncertain is the domestic return from using the proceeds for imports and industrial development. The optimum rate of economic development of a desert kingdom, or the balance between material gain and social tension, is an extremely subjective calculation, and the balance can so obviously shift with a change of regime as in Iran.

The inner group of four producers already mentioned is not in business to buck the trend or do more than iron out fluctuation. They have had sufficient spare capacity to step up production quickly in the face of events such as the Arab-Israeli War. Moreover, as Prof. Jean - Marie Chevalier has pointed out in the New Year issue of Time, there has been a merchant's agreement between Iraq and Iran not to destroy pipelines and limit the damage to installations.

The present huge gap between market price and the average costs of most producers will not continue for ever. The entry of new producers better able to use oil revenues, and the effects of higher prices on consumption and substitution will be felt in the next few years.

Sex discrimination watchdog seeks bite in job law

HABIT, rather than analysis, makes it seem acceptable and natural for people to distinguish between male and female in all walks of life. For most of our history there has been inertia (understandable in a world predominantly ruled by men) in eradicating the distinction in many fields, particularly employment. It was only in 1975 that Parliament set about dismantling the stereotyped reaction which often had no rational relationship other than prejudicial discrimination on the part of employers.

After five years of operating a system whereby women may come to court to test the validity of decisions by employers preferring a male candidate when recruiting or promoting staff, there are disquieting signs that the legislation is misfiring. The experience of those who have gone to industrial tribunals is that women are finding that there are serious obstacles to proving that employers have been guilty of sex discrimination.

Apart from the inherent problem of getting sight of employers' documents that reveal evidence of discrimination, the law tends to favour protection of the employer. This is because the burden of proof falls upon the complainant, which it is difficult to discharge. Employers tend to win the battles by default.

Many women who complain of sex discrimination find that they can establish discrimination. In the legislation's early days even that was not easy. In an early case Lord Denning asserted that discrimination, even though deliberately based on sex, would not be "on the ground of sex" if sanctified by a benevolent motive, for example, safety or chivalry.

A year later Lord Denning recanted. He declared that a good motive could not be a defence to complaints brought under the Sex Discrimination Act. Subsequent rulings have consistently held that the Act is concerned with the factual nature of the act of discrimination, and that it is no answer, in a case where there has been discrimination, that it had been done with the best of intentions or a laudable motive.

Once discrimination has been shown, it is well established that the burden of proof shifts to the employer. If the employer then fails to produce any evidence of lawful ground for discriminating between the woman and the man employed, the tribunal is bound to infer that the ground was unlawful discrimination.

It is rare that an employer cannot find any lawful reason for discriminating. If he has gone through the proper processes of advertising the job, interviewing candidates who on paper appear to be of like merit and giving each a fair interview, it would be odd if the employer could not point to some distinguishing feature that led him to prefer the man. Some plausible reason will no doubt be proffered why the male candidate was selected. Here the law again takes a hand.

Once an alternative explanation (other than a palpably spurious one) has been advanced by the employer, which rebuts the inference of unlawful discrimination, the burden of proof shifts back again to the woman who is left floundering in a legal maze. Short of demonstrating that the between them on the primary facts. It accepted that there had been no conscious intention on the board members' part to discriminate on the grounds of sex.

Of course, that was not relevant, as the complainant did not have to show that there was any intention to discriminate unlawfully. The question was whether she had been less favourably treated because of

THE WEEK IN THE COURTS

BY JUSTINIAN

alternative put forward by the employer is not to be believed, she will go away empty handed.

A case decided just before Christmas by an industrial tribunal sitting in London exemplifies the dilemma of the woman complainant.

In Bennett v. The Post Office a married woman complained that the Post Office, in selecting her rival who was much less professionally qualified than she was for a post in the civil litigation department of its solicitors' office, had unlawfully discriminated against her. The industrial tribunal heard the complainant and the three members of the board of selection.

It found that they were all entirely reliable witnesses and that there was little dispute her sex, regardless of the employer's motive.

The tribunal concluded that the principal reason for the selection of the male candidate was that he was "more highly motivated, and that with his more all-round attributes he would, in that particular post and at that level, achieve more than his rival, even with her greater academic knowledge and higher intellectual capability."

That conclusion by the board of selection had been prompted by a single report in 1979 by the woman's immediate superior (a person who was not called by the Post Office as a witness before the tribunal, which could not, therefore, judge his reasons for his adverse report).

That report alluded to the lack of motivation. At the time it was made, and until it was revealed before the tribunal, the woman had not been told, or given an opportunity to explain, or remedy it. She was simply downgraded.

There was an explanation why the woman might have appeared to her immediate boss to be lacking "motivation." During the relevant period she had been working for the Law Society's examinations without taking any time off from work.

The tribunal noted fairly that this must have been arduous; to have passed the examination was no mean achievement. Did her boss pay sufficient attention to such a meritorious explanation? As he did not seek an explanation he was unable to make a reasoned decision about her "motivation."

Why did not the Post Office give time off to its employee who wished to better herself by acquiring professional qualifications? When the employer's own mismanagement led to an unfortunate and possibly incorrect conclusion about the employee's worth, should that be allowed to get the Post Office off the hook of an understandable complaint of unlawful discrimination?

Unfortunately, the one black mark recorded on the employee's file was enough for the board of selection to alight on it and rely on it as the decisive factor influencing all three members against her selection, although it was admitted that she had performed brilliantly at the oral interview, while her preferred rival did not reach expectations.

Once the tribunal was satisfied that the reason for the discrimination was based on a ground other than sex, namely, her previously noted lack of motivation, the burden shifted back to the employee and she could not discharge the onus that she had been unlawfully discriminated against.

In this state of affairs, it is little wonder that the Equal Opportunities Commission, which is the watchdog, if not the bloodhound, on behalf of those complaining of sex discrimination, is seeking to achieve a change in the law. This week the Commission is meeting the Home Secretary to urge that the Government amends the 1975 Act to make the burden of proof, once it has shifted to the employer, rest where it lies.

Once discrimination has been shown, it should be the employer's duty to show positively that it was not for an unlawful purpose.

Only in this way can such legislation provide the bite that will ensure that the habit that works against the female employee is no longer allowed to hold sway. At present, the age-old habit prevails and prevents the eradication of deep-seated prejudice against women at work.

Broadsword outing undecided

RACING

BY DOMINIC WIGAN

BROADSWORD, 7 to 4 on, duly landed Saturday's Tolworth Hurdle in the conclusive style his price suggested that he should. His odds of 5 to 1 for the Daily Express Triumph Hurdle hardly encourage speculation.

Since Artivo's triumph at a shade of odds on in 1974, only the victory of Meladon (the subject of a major gamble on the day) has ruffled a few feathers in the ring.

The Triumph Hurdle's last three runnings have proved particularly satisfactory for the layers, with Connaught Ranger's 25 to 1 success being followed by wins for Pollardstown and Heighlin at 12 to 1 and 40 to 1 respectively.

Anyone contemplating an ante-post bet on the Triumph Hurdle favourite would do well to consider that David Nicholson could be tempted to aim for the Waterford Champion Hurdle rather than the Daily Express prize.

No hurdler of Broadsword's age has won a champion hurdle since the war, but Nicholson apparently is still undecided which prize to aim for.

If one of his other promising novices such as Toondra emerges as a live contender for the four-year-old championship, Broadsword could clearly be sent to tackle his seniors.

On the corresponding day a year ago Chepstow's card was lost to the frost. No similar problems are envisaged for the Monmouthshire track this time. Fred Winter will be happier than most that the weather looks reasonable.

In addition to Chumson, who has only five to beat in the Partridge Chase, he saddles Father Gleb for the opening division of the Rabbit Novices Hurdle. Both should win.

In the second division of the novices hurdle, Sharp Deal should prove too quick for the Queen Mother's Russhill. In his only race since joining Nicky Henderson's string from Charlie Nelson, Sharp Deal ran an encouraging race to be fourth behind Broadsword in the Finale Hurdle.

CHEPSTOW

1.30—Lloyd Ardua
2.00—Chumson**
2.30—Cappello
3.00—Father Gleb*
3.30—Brother Will
4.00—Sharp Deal***

WOLVERHAMPTON

1.15—Colourful Paddy
2.15—Birshell
3.15—The Clansman

TV/Radio

BBC 1

† Indicates programme in black and white

12.40 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Mister Men. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 11.00 am). 4.20 Laurel and Hardy in "The Missing Fink." 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter. 5.35 Ivor the Engine.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Triangle.
7.20 Star Trek.
8.10 Panorama: "Italy's Other Earthquake."
9.00 News.
9.25 The Monday Film: "The Private Life of Sherlock Holmes" starring Robert Stephens.
11.25 In the Post.
11.50-11.55 News Headlines.

All Regions as BBC1 except as follows:

BBC Cymru/Wales—1.45-2.00 pm Pila pala for children. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.15-8.10 To Serve Them all my Days. 11.50 News Headlines. 11.54 The Sky at Night. 12.15-12.17 am News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.25 16 Up. 11.50 News Headlines.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News Headlines.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.00 am Focus.
10.25 Working with Young People.
11.00 Play School.
11.25 Write Away.
2.15 pm Let's Go.
2.30 Multi-Racial Britain.
3.00 Embroidery.
3.30 Wainwrights' Law.
4.15 Modern Language Teaching.
†5.40 Laurel and Hardy in "Hog Wild."
6.00 Michael Strogoff (based on the novel by Jules Verne).
6.50 Rock Goes to College.
7.30 When the Bough Breaks.
7.45 Mid-Evening News.
8.00 Barry Manilow World Tour.
9.00 The Hitch-Hiker's Guide to the Galaxy.
9.35 Horizon.
10.25 Darts: Embassy World Professional Championship.
10.45 Newsnight.
11.30 Darts (Further coverage).

LONDON

9.30 am The Masterbuilders. 9.55 A Handful of Songs. 10.05 Once Upon a Time. 10.20 Animated Classics. 11.05 Wilderness Alive. 11.55 The Undersea Adventures of Captain Nemo. 12.00 Button Moon. 12.10 pm Rainbow. 12.30 Your Chance. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. †2.30 pm Monday Matinee: "Two Flags West" starring Joseph Cotten, Linda Darnell and Jeff Chandler. 4.15 Dr. Snuggles. 4.20 The Sooty Show. 4.45 The Book Tower. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Wish You Were Here . . .?
7.30 Coronation Street.
8.00 Shelley.
8.30 World In Action.
9.00 The Sweeney.
10.00 News.
10.30 The Troubles: "Partition."
11.50 The Monte Carlo Show.
12.45 am Close: "Sit Up and Listen" with Richard Easton.

All IBA Regions as London except at the following times:

ANGLIA

9.35 am Pavilion Folk. 10.00 Operation Barbarossa. 10.50 Something Special. 11.40 Cartoon Time. 1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "What's Good For The Goose," starring Norman Wisdom. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 11.50 Music At Harewood. 12.20 am Reflection.

ATV

9.45 am Sesame Street. 10.45 The History Of The Motor Car. 11.10 Animated Classics. 1.20 pm ATV News. 2.00 Best Sellers: The Moneychangers—Part 1. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 ATV Today. 11.50 ATV News. 11.55 Something Different.

BORDER

9.45 am Survival. 10.10 Inner Space. 10.35 Jabberjaw. 11.00 Tarzan. 11.50 Larry The Lamb. 1.20 pm Border News. 2.00 The Riordans. 2.30 Monday Matinee: "The New Daughters Of Joshua Cabe." 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Lookaround Monday. 6.15 The Sound Of . . . Kenneth McKellar. 6.30 The Entertainers. 11.50 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On, Where and Weather. †2.00 The Monday Matinee: "Blood on the Sun." 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Channel Report. 6.15 Cartoontime. 6.30 The Amazing Years of Cinema. 10.28 Channel Late News. 11.50 News and Weather in French.

GRAMPIAN

9.40 am First Thing. 9.45 Dancers. 10.10 Chopper Squad. 11.05 Survival Special. 1.20 pm North News. 2.00 Best Sellers ("The Moneychangers"—Part 1). 3.45 Money-Go-Round. 5.15 Gambit. 6.00 North Tonight. 6.30 Out of Town. 11.50 Reflections. 11.55 Seven Ages. 12.40 am North Headlines.

GRANADA

9.30 am Look At Life. 9.40 The Funky Phantom. 10.00 The Maharajahs. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 Money-Go-Round. †2.30 Monday Matinee: "The Mudlark," starring Irene Dunne and Alec Guinness. 5.15 Gambit. 6.00 Granada Reports. 11.50 Kate Loves A Mystery.

HTV

9.45 am Sesame Street. 10.45 Motorway. 11.35 Beachcombers. 1.20 pm HTV News. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Quest of Love," starring Joan Collins. 5.15 Gambit. 6.00 Report West. 10.28 HTV News. 11.55 Superstar Profile.

HTV Cymru/Wales—As HTV West except 12.00-12.10 pm Ffalabalam. 4.15-4.20 Paramount Cartoon. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

9.30 am Shapes in the Water. 9.55 A Story of Tutankhamen. 10.45 Survival. 11.10 Namanni. 11.25 Target the Impossible. 11.50 The Bubblies. 1.20 pm News and Road and Weather. †2.00 The Stars in Black and White: "My Cousin Rachel," starring Olivia de Havilland and Richard Burton. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Scotland Today. 6.40 Crimedesk. 7.00 Now You See It. 11.50 Late Call. 11.55 Seven Ages.

SOUTHERN

9.30 am The Beachcombers. 9.55 George Hamilton IV. 10.20 "Demetrius and the Gladiators," starring Victor Mature. 1.20 pm Southern News. 2.00 Houseparty. 2.25 "Doublecross," starring Donald Houston. 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Day By Day, including Southsport. 11.50 Police Surgeon.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Survival. 9.55 Showjumping with Harvey Smith. 10.25 Alphabet: The Story of Writing. 10.50 Stars on Ice. 11.20 Home Nursing. 11.50 Sally and Jake. 1.20 pm North East News and Lookaround. 2.00 Money - Go - Round. †2.30 Monday Matinee: "Seven Thunders," starring Stephen Boyd. 5.15 Happy Days. 6.00 Northern Life. 10.30 North East News. 11.50 Jesus and People.

ULSTER

9.55 am Story of Tutankhamen. 10.45 Spiderman. 11.00 Sesame Street. 1.20 pm Lunchtime. 2.00 The Riordans. †2.30 Monday Matinee: "Laxdale Hall," starring Ronald Squire, Kathleen Ryan and Raymond Huntley. 3.45 Money-Go-Round. 4.13 Ulster News. 5.15 Gambit. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.50 Bedtime.

WESTWARD

9.30 am The Amazing Years of Cinema. 9.55 Dinah Saur. 10.10 Chopper Squad. 11.00 Sesame Street. 1.20 pm Westward News Headlines. †2.00 The Monday Matinee. "Blood On The Sun," starring James Cagney. 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Westward Diary. 10.31 Westward Late News. 11.50 Faith For Life. 11.55 West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am Wilkie in Winter. 9.55 A Story of Tutankhamen. 10.45 Cartoon Time. 11.00 Tandarra. 11.55 Casper the Friendly Ghost. 1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Coney Island," starring Betty Grable with George Montgomery and Cesar Romero. 5.15 Gambit. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Enterprise '80.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Steve Wright. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Dave Lee Travis. 4.32 Peter Powell. 7.00 Stayin' Alive, with Andy Peebles. 8.00 Richard Skinner. 10.02-12.00 John Peel (S).

RADIO 2

5.00 am News Summary. 5.03 Bob Kilby (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm Ray Moore (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music, with David Symonds (S). 6.03 John Dunn (S). 8.02 Folk On 2 (S). 9.02 Humphrey Lyttelton (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz with Ray Moore. 10.30 Star Sound. 11.02 Brian Matthew, with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers (S). 10.00 Schutz and Gabrieli concert (S), including 10.45-10.50 Interval Reading. 11.35 Music from America (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.00 Raglan Baroque Players (S). 3.45 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Peter Hurford: Performance of Bach's Prelude and Fugue in C minor (BWV.546) (S). 7.15 BBC Symphony Orchestra in Berne concert, Part 1 (S). 8.20 Delivering the Wildcat. 8.40 Concert, Part 2 (S). 9.40 Debussy (S). 9.50 Jazz in Britain: "The Cortege," by Mike Westbrook, part 2 (S). 11.00 News. 11.05-11.15 Alan Cuckston (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week On 4. 8.45 Glyn Worsnip with the BBC Sound Archives. 9.00 News. 9.05 Start the Week, with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Manderston. 11.50 Poetry Please! (S). 12.00 News. 12.02 pm You and Yours. 12.27 Old Took's Almanac (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.35 Just the Job. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Fat Man in Italy (S). 7.00 News. 7.05 The Archers. 7.20 The News Quiz (S). 7.50 The Monday Play (S). 9.20 Abroad Thoughts from Home. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime ("Lord Jim," by Joseph Conrad). 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00 Question Time from The House of Commons. 9.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday. 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene continued. 3.00 Roger Scott. 7.00 London Tonight. 9.00 Alan Freeman. 11.00 Tony Myatt's Late Show. 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,466

ACROSS

1 Observed live in captivity (6)
4 Walker beheaded another (6)
8 Not previously surpassed team I'll rebuild (3-4)
9 Methods I would quarter along the road (7)
11 Stupid getting after job going (6, 4)
12 Painting medium kind of silo (4)
13 Water plant by southern border (5)
14 Slope a person puts in first category (5, 3)
16 A number on right placed in part of England (8)
18 Old measure for copper to scrap (5)
20 Inclined to be corrupt (4)
21 Turned down Wimbledon chairman briefly offering tip (6, 4)
23 Melancholy: almost left in loud disorder (4, 3)
24 Bit of repartee in prose it turns out to be (7)
25 Adopt overweight female (6)
26 Manchester and Leeds are in league (6)

DOWN

1 Turn up a thick piece of wood (5)
2 Bath and change into bowler's fancy strip (7)
3 Unbounded ills Times misreports (9)
5 Designed average road junction (5)
6 Left is to quite a few becoming athletic (7)
7 Mars revolutionary aircraft going over Turkish capital (3, 6)
10 Part of tree swell bribed to stay away (6, 3)
13 Left when forcibly removed (6, 3)
15 Bill giving up coming to office (9)
17 Beseech men without a leader to do business (7)
19 Support for sleeper sharing confidence with us (7)
21 Upset alternative employment in stir (5)
22 Officer daughter defeated on board (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Guildhall School

Choreographic evening

by CLEMENT CRISP

On Sunday, January 25, a programme of new choreography will be on view at *Sadler's Wells* as a fund-raiser for the improvement of "artists' facilities" in that theatre. Hence, artists of both Royal Ballet troupes, the Rambert and London Contemporary Dance companies, who all use the Wells, are involved, enterprisingly, *final year students* from the Wimbledon School of Art; and post-graduate composition students from the Guildhall School have also collaborated.

The show was given a preview on Friday night at the Guildhall's theatre—good stage and sight-lines, numbing seats—and matters were much as they always are on such occasions. There must be praise for experiment; gratitude to dancers who give up their time; pleasure that a couple of pieces can show authentic promise rather than flashin-the-pan ability, bemusement at the obscurantism which is ever an ingredient of apprentice creativity; and at the end of the evening the recurrent feeling that what our dazed wits need is the sight of a single Petipa variation to reassert the merits of formal precision and blessed unpretension.

As such evenings go—and they can go very slowly indeed—Friday's show was superior to many. Three pieces out of seven held my attention. Michael Corder revived an early duet he had made for himself and Jennifer Jackson which, such is the impetuosity of youth, uses part of the Stravinsky symphony, and yet survive, through the musical alertness and wellshaped dynamics that we expect from this true classic talent.

Ann Dickie produced *For Two Boys* (Mark Wraith and Thomas Yang) set to a rich percussion score by Kazimierz Serocki, acutely matching its mysterious sonorities with the way the two bodies (in effective sub-Punk gear) walked, rolled, ran and covered the stage in a web of ingenious movement.

Sally Owen contrived a sardonic Kabuki incident about marital indifference and the Sunday papers, with Norio Yoshida more engrossed in the morass of print than in Lucy Burge, who found some consolation with Nelson Fernandez, splendidly dead-pan as a *kurogo*, the black-clad and "invisible" assistant to the drama.

For the rest there were such statutory items as the "whatever happened to our relationship?" duet in glum contemporary style; a pas de deux, excellently danced by Sherilyn Kennedy and Nicholas Millington, too bland for my taste; some sunny contemporary rushing about to a Schubert quartet movement in which a large cast seemed maddened by the beauty of it all; and the regulation puzzle-piece—like the Victorian "problem picture" at the Royal Academy, a fixture of such evenings—which had a curiously Bauhaus air. New scores from Julian Broughton and Alan Belk were well-made, interesting.

The evening is worth-while; even more so is the cause of better dressing-rooms for the dancers at the Wells.

Wigmore Hall

The Messiaen Connection

A snappy title for a concert series like "The European Connection," broken down into such presumed constituents as the Polish, the Stockhausen and the Italian Connections, makes for a comfortable (if, to a large extent, illusory) reference point. It is also a good idea as an audience-getter: the New Macnaghten Concerts have provide this season, to everyone's satisfaction and not a few people's surprise, that with careful planning and lively advertising and presentation, it really is still possible to put on good concerts of contemporary music that play time and again to near-capacity houses.

The disadvantage, to be sure, of "thematic" programme-planning is that the theme—unless it is either very specific or very broad indeed — can rarely stand being looked at too closely, or taken too seriously. The chief difficulty the Macnaghten committee must have encountered when they set their minds to making a programme for "The Messiaen Connection"—the third of the series last Friday — is simply that no connection (as the idea is popularly conceived) exists. No British composer of major stature has studied with Messiaen, or been influenced specifically by his music to a significant degree. The real influence is at once stronger, broader and less palpable, and its force has been both negative and positive: Messiaen's *methods and insights have fired* the imaginations (and the antipathies) of composers as diverse as Boulez, Berio, Henze, Xenakis, Stockhausen, Takemitsu, Birtwistle, and Maxwell Davies—a fascinating current to chart, but hardly the subject for a concert theme.

The one striking piece of the evening indeed, apart from Messiaen's own, was by a young composer who has no connection or affinity with Messiaen at all. David Owen's (b. 1975) *Meros/Medea*, a short, effective pitched battle of piano and flute, owed more to the sound-worlds and procedures of Varèse, Xenakis and Birtwistle than to the pious love-garden of the Trinité. Messiaen's two pieces were dully performed: *Cantéyodjayâ* for piano, played by Robert Sherlaw Johnson (a one-time Messiaen pupil) had its edges of colour and rhythm badly blurred; and the early *Chants de terre et ciel* were given a squally, uncomfortable reading by Marilyn Minns, square-pharased, blunt and un-nuanced.

Sherlaw Johnson also played a decent, unexceptionable little piano *Capuriccio* by another past Messiaen pupil Alexander Goehr; and his own *Green Whispers of Gold* for piano, flute and tape—a very long and very curiously flavoured amalgam of dilute Messiaen, medicated shampoo and Mansion Polish. Kathryn Lucas was the accomplished flautist, who by herself also played *Flight* by the youngest of the evening's composers, George Benjamin (b. 1960), short, flighty and charming, without pretention.

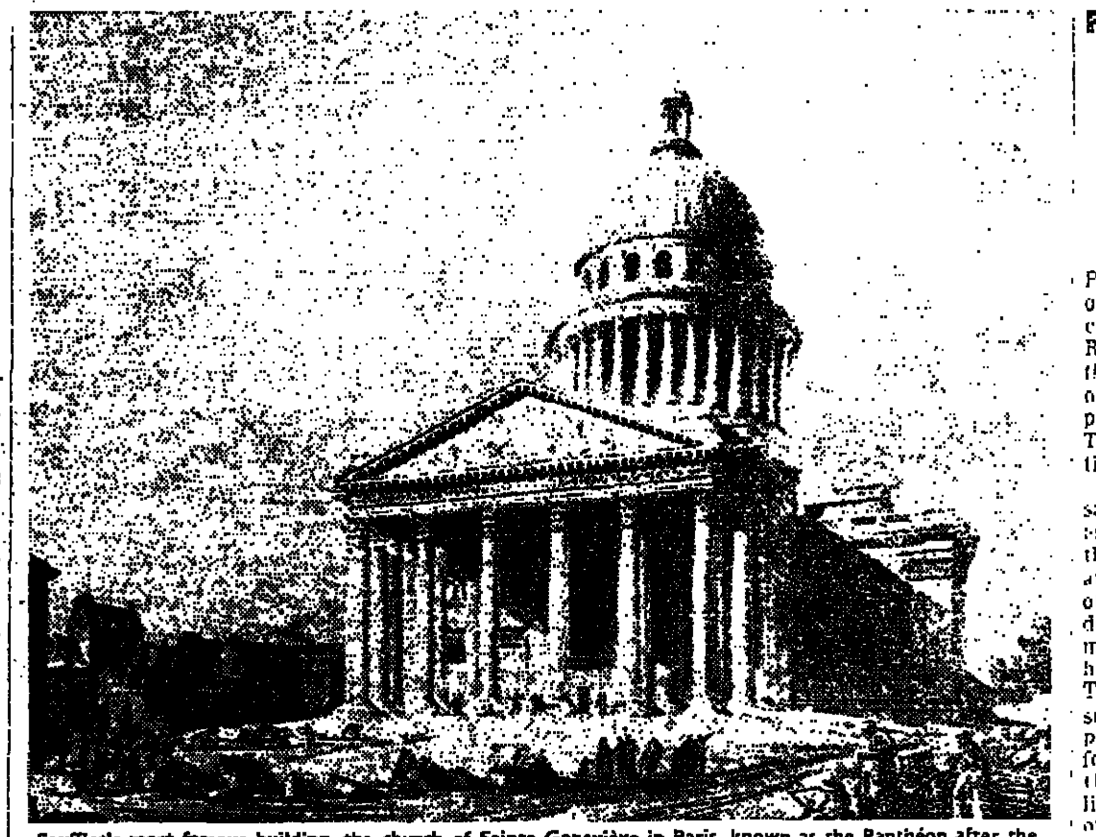
DOMINIC GILL

Maugham Collection of theatrical paintings

The Maugham Collection of theatrical paintings goes on permanent exhibition in the National Theatre foyers from February 18.

It celebrates the gift by Somerset Maugham who bequeathed to the National Theatre his remarkable collection *of theatrical paintings.*

The 42 oils and 41 watercolours once decorated Maugham's home in the South of France.



Soufflot's most famous building, the church of Sainte Geneviève in Paris, known as the Panthéon after the Revolution.

Architecture

Soufflot and the Panthéon

by COLIN AMERY

One of the differences between London and Paris is that the exhibition-going public in Paris does seem to have a taste for architecture. At the Hotel de Sully in Rue St. Antoine in the Marais there is a regular series of major exhibitions on architectural subjects throughout the year. At the moment (until January 25 daily except Tuesdays) there is an important exhibition to commemorate the life and work of the great French Neo-Classical architect Jacque-Germain Soufflot. He died in 1780 and the passing of two hundred years since his death has given scholars time to sort out his historical significance.

Soufflot was born in 1713 in the small town of Irancy close to Auxerre. His father was a lawyer and the family expected their son to train as a *provincial advocate. Luckily* for the history of European architecture Soufflot resisted family pressure and took himself off to Rome where he studied architecture for seven years.

On his return to France he settled in Lyons, the second city of the realm and one where the population grew rapidly throughout the 18th century. The need for new buildings was pressing and Soufflot was commissioned to build the enormous Hotel Dieu, a charitable foundation *for the people of Lyons.*

The scale of the façades and the great dome established Soufflot's reputation. The building was famous through*out Europe and much visited,* although this exhibition reveals that most of the contemporary interest was not in the architecture but in the planning and health care that was so efficiently organised in the new buildings.

Soufflot, now the famous architect of a great public building, was chosen in 1749 by Madame de Pompadour to accompany her brother M. de Marigny to Italy. This young man was anxious to inform his own taste and prepare himself for the role of *Surintendent des Batiments.* There is no doubt that the tour was a great success for both parties. It established an official enthusiasm for Neo-Classicism in France and gave Soufflot the commission for which he is best known, the great church of Sainte Geneviève in Paris, known since the Revo*lution as the Panthéon.*

Soufflot's church is, perhaps, the most discussed church building of the second half of the 18th century. His great domed Neo-Classical design was meant to be a particularly French contribution to the new architecture. It expressed a solemn attitude towards Antiquity but tried to combine this monumentality with a structural lightness derived from the Gothic.

The leading Neo-Classical theorist and critic Laugier was confident about the virtues of *the Panthéon describing it as* "the first example of perfect architecture." Soufflot worked in Paris on the great church for the remainder of his life and *died before it was completed.*

The complex tale of this great European building is difficult to tell even in an exhibition; one is often left wanting to know a little more. We know that Soufflot was a friend of Chambers; we know that some French architects visited *England in 1768 to study dome* construction — it would be fascinating to know whether Soufflot did more than compare domes.

The exhibition is called *Soufflot et son Temps* and it does give a picture of more than just an architect—18-century court life, collecting and patronage are all very much part of the scene. I was disappointed not to see more original material and I am sure I am not alone in feeling cheated by the presence of colour photographs of oil paintings. The catalogue is well *worth buying although not* cheap at Frs 75.

The exhibition is travelling to Lyons later in the year.

It is difficult in Paris not to find oneself drawn to the Centre Pompidou, the largest and most accessible piece of recent modern architecture in the city centre. It is sad to report that it is looking decidedly shabby. With all the pipes and services on the outside of the building cleaning becomes crucial. It looks as though French cleaners, and who can blame them, are not to keen on getting their *dusters into the awkward* corners. It is pretty difficult to clean the windows.

Book Review

Gothic and after

Victorian Buildings of London 1837-1887
by Gavin Stamp and Colin Amery. Architectural Press, £12.95, 192 pages

Interest in the Victorian age, in its Imperial and economic greatness and in the psychological traumas hidden beneath a stifling moral code, has never been stronger, and now there are as many people willing to defy authority to save a Victorian Gothic style church as in the past campaigned to preserve Georgian terraces. With the genius of Victorian architects now acknowledged Gavin Stamp and Colin Amery (architectural correspondent of this newspaper) can enjoy themselves with a readable and anecdotal survey of around a hundred buildings erected in London in the high Victorian period from 1837-87 rather than exhausting their space in making out a case for the age.

What makes this particular book more attractive and worthwhile than its competitors is the use of many original drawings to illustrate the chosen buildings, as well as old photographs. We discover what contemporaries thought of them and learn of the political and personal machinations which determined which architects using what particular style gained the commissions. For this was the great age of London when its population grew by 5m, and, thanks mainly to the railways, it both expanded rapidly and changed its aspect. The City, in particular, was almost completely reconstructed in Victorian times as were almost all the major buildings of Government.

Stamp and Amery make the point that the Gothic revival never reigned supreme and the classical tradition had its supporters until the 1880's when Queen Anne became predominant. The rivalry between architects and styles makes fascinating reading and the buildings chosen for examination stretch from the most important—The Houses of Parliament, the South Kensington Museums, the Government buildings in Whitehall, to some of the hundreds of Victorian churches built in working class areas, as well as offices and domestic architecture. Fortunately society has come to its senses before much damage could be inflicted in modern times on Victorian London, although the book lists some recent victims of the planners. So this book can be used as an exhilarating starting-point for a better understanding of London as it is today.

ANTONY THORNCROFT

Purcell Room

PLG Young Artists

by DOMINIC GILL

If the first two days of the Park Lane Group's annual series of Young Artists and 20th-century Music at the Purcell Room last week offered a less *than usually sparkling line-up* of talent, the third and fourth programmes on Wednesday and Thursday made good compensation.

We know the young saxophonist John Harle already as the leader (and founder) of the Myrha Saxophone Quartet and as a GLAA Young Musician of 1980. His South Bank solo debut last November was memorable for its splendid good humour and finesse; and on Tuesday he returned to open his snared programme with a new piece, *John's Journal,* written for him by Jonathan Lloyd (b.1948)—a fine vehicle, full of light and fluent ideas, to show off the range of his playing: of dynamic and attack; and especially of colour, from a piercing Bechet vibrato on the soprano sax to a big, supple, Coltraneish tenor timbre on the alto.

Harle also gave the world premiere of a new *Sequenza* by Luciano Berio—the ninth of the series. *Sequenza IXB* for solo alto saxophone (the *IXA* version, not yet heard in London, is for clarinet). Less homogenous, single-minded than any of the previous *Sequenze, IXB* is more wide-ranging, in effect a free-form fantasy, growing out of an opening lyrical reflection into more urgent, fast-moving material, multiphonics, strident horn-calls. It lasts, like its fellows, about a quarter of an hour: instantly attractive, if not *instantly gripping, and certainly* worth closer study. Dominic Muldowney's *In a Hall of Mirrors* was a short (five-minute) theme and variations for alto sax and piano, pleasantly tricky, inconsequential. Harle's reliable accompanist, John Lenehan, had rearranged a *Ballade* by Frank Martin, originally scored for saxophone with instrumental ensemble, for saxophone and piano: evidently a labour of love, given by both players with conviction—though any duo more intensely lugubrious, or more darkly dispiriting, will be difficult to find.

Harle's programme-partner was the Scottish pianist Susan Tomes. She began, uncertainly *it seemed, with an odd,* introverted account of the second book of Janacek's *On an Overgrown Path* suite: delicately unincisive, almost wholly unprojected—yet the performance, strange as it was, caught something very touchingly of the music's nervous, hesitant radiance. Quite "wrong" as an interpretation: yet curiously real. Miss Tomes has been studying jazz improvisation in Boston with the pianist Jaki Byard; and she gave us, as an afterword to a succinct and muscular little *Poème* by Nigel Osborne, *an improvised "Thank You to Byard,"* sure-handed and nicely flexed, that was really one of the best things of the evening, and ended too soon.

On Thursday we met the talented young Phoenix Wind Quintet, who gave Elliott Carter's quintet, Ligeti's refreshingly high-spirited *Ten Pieces,* a lucid, imaginative *Album* of seven miniatures by Jonathan Harvey, and a very praiseworthy performance of Roberto Gerhard's quintet (his first major work after studying with Schoenberg) that manages to be all at once (a kind of distinction itself) jolly-sounding and quite mind-wrenchingly tedious.

Last came Marilyn de Blieck: a warm, clean-toned mezzo-soprano, directly engaging in manner, and unfailingly well-tuned. She gave Thomas Wilson's cycle of three Edwin *Muir settings, One Foot in Eden,* with real command and character—even music so monotonous in manner, and greatly overlong for its content, responds to such richly eloquent care. Miss de Blieck also gave us a rare opportunity to hear Schoenberg's early set of Four Songs Op. 2, powerfully shaped, full of Straussian gleams, and dark, melting lights.

Colin Matthews wrote his *Le Colloque Sentimental* for voice and piano two years ago: musically, it is an uncertain hybrid, pregnant with echoes of Fauré and Debussy, but giving birth to little but fond memories: and textually, it is a monstrous liberty—for Matthews not merely edits and rearranges *the words of four poems by Ver*laine, Baudelaire and Nerval but actually re-writes the title poem, softening and sweetening its glacial final line by excising "seule" and adding the gratuitously inept word "bénie." *Heilige Nacht* indeed! Horrible emasculation: which alone, from the start, puts the work beyond serious consideration.

Friday's concert introduced Renate Turrini, a strong and well-prepared pianist who offered hefty pieces from early in this century: Bartok's Sonata, Falla's Fantasia Baetica and—most enterprising—the 12 op. 33 Studies of Szymanowski. She had a satisfying grasp of all her music as well as confident fingers, and the control required to keep her tone within the Purcell Room limits of comfort. There was, however, not much magic in the sound—little evocative colour, reduced contrasts: Szymanowski's writing deserves to be presented with more allure. Miss Turrini's eyes rarely left her hands, and one felt she could *listen* more to herself with profit.

The announced violinst was indisposed, which deprived us of the most recent music. There was splendid compensation from the Locrain Quartet, who filled in with performances of notable finesse. In Webern's Five Movements op. 5 they played with exemplary delicacy and assurance, seemingly quite beyond their years. If the simple fireworks of Penderecki's Quartet no. 1 already sound dated, it was no fault of theirs: the superficially similar effects of Lutoslawski's far richer quartet were judiciously and *beautifully rendered, with an* unerring sense of the expressive point of every moment—continuously taut and persuasive, too. The services of the Locrain Quartet should be in great demand.

DAVID MURRAY

Opera in Rome

by WILLIAM WEAVER

Of Italy's major opera houses the Teatro dell'Opera in Rome is the youngest. When it opened, in 1880, the newly-united Italy's capital had two other theatres presenting opera: the Apollo and the Argentina. But then the Apollo closed and the Argentina turned chiefly to presenting plays, so the Teatro Costanzi—as it was then called—reigned alone. In the 1920s Mussolini, bent on increasing Rome's grandeur, renovated the house and renamed it the Teatro Reale dell'Opera; then after the fall of Fascism and of the monarchy the "royal" attribute was dropped.

Musically, artistically, the house has had a history as various and dramatic as its political vicissitudes. Its first real contribution to opera annals was the presentation, in 1890, of the unknown Mascagni's *Cavalleria rusticana: a decade later* Puccini gave the house first rights to his *Tosca.* The Roman theatre also introduced a number of foreign works, including Berg's *Wozzeck,* performed in 1942, a courageous gesture on the part of the then musical director Tullio Serafin, who dared conduct this "degenerate" work when the Axis collaboration was at its height.

In the post-war years there have been ups and downs (chronicled in these columns, for the most part): most recently, the Teatro dell'Opera has suffered severely from lack of funds, lack of leadership and lack of nerve. But now, with the nomination of the writer-composer Roman Vlad as general manager, Roman opera-lovers have become hopeful. Vlad has administrative experience (some time ago he organised a memorable Maggio Musicale in Florence, focused on expressionism); and he also has taste and energy.

His first season opened with Verdi's *I due Foscari,* a revival of the production created here in 1968 and later seen at the Metropolitan in New York.

Pier Luigi Pizzi's sets create an impression of solidity, but at the same time are admirably versatile, so the many scene-changes do not impede the flow of the drama. The rich costumes are in contrast to the necessary murk of prison and tribunal, and Giorgio De Lullo's staging underlines the ritual aspect of 15th-century Venetian life.

Verdi, in later years, complained of the relentless gloom *of this early (1844) opera, but* its tragedy is radiant with humanity and tenderness. Characteristically, the central relationship is between father and son; and of these two Foscari the more important is certainly the father. In this compelling role, the baritone Renato Bruson proved overwhelming: noble, warm, vulnerable. The last scene is probably the work's finest, and Bruson's interpretation was magnificently nuanced.

Carlo Bergonzi is currently celebrating the 30th anniversary of his début as a tenor (after a brief activity as a baritone); in those three decades he has given Verdians an immense amount of pleasure, and it is still pleasant to hear him, even if the voice obviously no longer has the bloom of former years. On opening night, though he was not absolutely in top form, he sang with grace and style.

After the end of the first act, a voice announced that the soprano, Maria Parazzini, was indisposed, but would continue the performance. As a matter of fact, she dealt admirably with her evident indisposition and gave a good idea of the music, though her uneasiness was occasionally communicated to her fellow artists in the ensembles.

For the past couple of seasons the young Israeli musician Daniel Oren has been permanent conductor of the Rome Opera orchestra, and he has improved it remarkably. On opening night, the coherence between stage and pit was *admirable; but the orchestra's* playing went beyond mere precision and achieved true sensitivity of phrasing and subtlety of expression. Oren and Bruson, in fact, were the real stars of the evening, as the public's ovations made clear.

The spoken theatre season in Rome is also in *full swing.* Among the important recent openings is the first offering of the municipal Teatro di Roma at the Argentina: Shaw's *Heartbreak House* (or rather, Casa Cuorinfranto) in a translation by Luigi Squarzina, who also staged this work, practically unknown to the Italian audience.

Though Squarzina's view of the work is oddly humourless his production is impressive.

RUGBY by PETER ROBBINS

Blackheath in poignant decline

OVER Christmas, London Welsh conceded 96 points in two games against Swansea and Llanelli without scoring themselves. On their return to England, that same club beat Bedford and Northampton, scoring 34 points on each occasion.

These statistics are a staggering indictment of the state of English rugby. They lend weight to the point I made last week about the deterioration of standards.

There is only a thin crust in England of genuine international players and underneath are layers of soft, soggy waste.

If the Midlands clubs, with the notable exception of Leicester, are having a difficult time, those in the London area are experiencing even greater problems.

Some clubs, such as the Wasps (who have a good recruiting system) and Rosslyn Park can still be called first class. Others are in danger of being excluded from that list.

I saw Harlequins play Blackheath on Saturday. The biting wind did not make conditions ideal for sustained rugby, but the general standard was unacceptable. This was more true of Blackheath than of the Quins, who potentially have quite a good side.

It is sad to see such a great club as Blackheath in such serious decline. On this form, they are fighting for their existence. That fight is the more poignant because they are the oldest English club.

Geographically, Blackheath are perhaps the most isolated London club. Eric Franks, their president, says that their clubhouse is used only for training and Saturday nights.

Contrast this with some of the thrusting junior clubs who enjoy a lively social life and it is all too clear that rugby is a victim of its own success. Why travel miles to play when the local club offers equal and often better facilities with family involvement.

Blackheath used to enjoy a regular supply of Services players. That has dried up, as has the influx of the better Oxbridge players. The Harlequins also regret the absence of the university players.

There is also a huge problem of local identity. As David Rollitt, the Harlequin's coach, pointed out, when he played for Bristol the team was always in the news. The locals identified with the players and this was an immense stimulus.

Excluding the exile clubs, Currie sees the sad day when London will be able to sustain only three major clubs. He declined to name them, but I would take the Harlequins, along with Wasps and Rosslyn Park.

There is certainly a case for amalgamation, and alliance, say of Richmond and Quins, would make a great deal of sense. Twenty years ago that would have been unthinkable, but the clubs have to be practical these days.

I wrote last year about the priority in gentle club administration right before improving the playing side. I still hold that belief.

David Airey, Birkenhead Park's energetic president, sent me details of his proposed reforms for his club who were experiencing difficulties not unknown in London. They make stimulating reading, but any new policies take time to permeate.

Harlequins won the match 24—6, having scored 18 points down wind in the first half. Blackheath desperately need to improve their fitness and tighten up their tackling where only Morrison, their centre, showed any definite enthusiasm.

They tried bravely to run the ball from deep in their own half, but the execution could not match the intent. Their most potent attacker was Kibble, but the problem was getting the ball to him.

Slater, the fly-half, looked a good player, but his pack was so out-classed that his full talent could not be realised.

The Quins are fortunate to have a nucleus of good New Zealand players. Gilmer, the scrum-half, gave Allen plenty of good possession. Allen, after such a good game against Wales, brings confidence and class to the side. Quins also have a useful right-wing in the Cambridge blue Moriarty.

It was another New Zealander, Ball, who made the most vigorous and constructive contribution to the forward play. Young Butcher, the number eight, was never far behind.

Now David Rollitt is able to devote more time to coaching. I think we can look forward to the Quins's re-emergence particularly when David Cooke wins his first cap next week.

SOCCER by TREVOR BAILEY

Blue skies for Coventry City

ON a bitterly cold day and in a high swirling wind, not conducive to classical football, Coventry were fortunate to secure a point in a 1-1 draw at home against Manchester City. In a few short months, City have been transformed by John Bond from relegation probables into a successful side.

John bought four seasoned, contrasting campaigners — Boyer, *a natural poacher,* Gow, a hard constructive midfield man, and two from Coventry, the dashing, sometimes enigmatic Hutchison, and the no-nonsense left-back, McDonald.

He has sorted them into a team who are giving 100 per cent effort and playing good direct football, while on Saturday, Reeves provided a masterly exhibition of leading a forward line with verve and skill.

It would be hard to find two clubs whose approach to football's problems is quite so different, although superficially Coventry and Manchester City appear to have much in common at the moment.

Assuming they do not suffer an injury jinx and maintain their current form, both should have few relegation worries. They are also out of range of the league championship. This means they have the opportunity to concentrate on earning a place at Wembley in the League Cup and in the FA Cup Final.

Although on the evidence of this meeting Manchester look the better proposition, the young Coventry team have undoubted potential, but lack *consistency.*

They probably need an experienced player, such as Terry Yorath, who was watching the game and once captained them with distinction, to provide inspiration on those occasions when the going is *difficult.*

Manchester City, who have to live beneath the shadow of Manchester United, except for a purple period under the combined direction of Joe Mercer and Malcolm Allison, have gambled on buying success on the transfer market. This must have stretched their financial resources to the hilt.

On the other hand, they command about double the support of the home side.

The attitude of the Sky Blues has been cautious and yet farsighted. Since gaining promotion to the First Division in 1967, they have worked ceaselessly at integrating the club with the local community and trying to provide family entertainment.

The amenities, including a high percentage of seated accommodation at Highfield Road, are better than most. One knows, therefore, that when they carry off a major honour, *which has always eluded them,* they will be completely ready for the new demands and able to deal with them.

Now that the bottom has fallen out of a grossly inflated transfer market, what must give manager Gordon Milne enor*mous satisfaction is that he* decided not only to put his trust in his young players but also to sell at reasonable fees several established members of his staff nearing the end of their contracts.

As a result, the club have made money on the deals, yet still are in sight of that major honour which would bring a new zest for football to the city.

This year the club have spent heavily and wisely on the future by building 13 executive boxes—all let—and, even more ambitious, a superb multi-purpose sports centre on their 22½-acre training ground at Ryton. This was the site of a disused gravel pit, which they *acquired reasonably in the* 1960s.

The sports centre, the Sky Blue Connexion, cost £1.5m and was paid for by funds from the club's highly successful lottery and other extra-curricular activities.

This venture clearly represents a much sounder investment than being splashed out on an individual player. Should the club's economic circumstances deteriorate sharply, they would have a readily saleable asset at their disposal. The complex provides their players with the finest and most luxurious training facilities in the land, the community with a centre for a variety of sporting activities and, probably most important of all, an ideal place to develop young local talent and for children to become Sky Blue-minded. After all, they are the future.

I came away from Coventry City with the pleasant feeling that here was a forward-thinking club, well able to cope with changes to the game's structure which must surely occur in the 1980s.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Monday January 12 1981

The German paradox

WEST GERMANY, so long held up as an economic model for Britain, now appears to be turning into its mirror image. With a high *inflation rate*, but its own oil, Britain is running a strong current account and a high exchange rate. The Germans—*with no oil — combine* a relatively low inflation rate with a high current account deficit and a weakening exchange rate. But for intervention, largely demanded by German membership in the European Monetary System, the D-mark would be even lower than it is.

Competitiveness

The relatively low rate of inflation and the falling exchange rate of the D-mark both work in *the same direction* when it comes to measuring the competitiveness of German exports in the world. The Bundesbank, in its latest *monthly report*, estimates that in real terms — that is allowing for shifts of the price level and the exchange rate — the external value of the currency has fallen to where it was in 1973, thus helping *competitiveness*. There is no suggestion that the Bundesbank is pleased by events. Every policy statement that has come from Frankfurt has invariably pleaded for keeping the currency strong not only internally, but also abroad.

The main tool employed has been monetary policy: German interest rates have been kept *higher than internal circumstances* would demand in order to counteract the pull of rates obtainable in New York and London. But the Bundesbank concedes that monetary policy is an insufficient weapon to deal with what it describes as a fundamental change in Germany's external environment. According to OECD figures, the current account ran up an estimated deficit of $17bn in 1980. Although an improvement is forecast, the OECD still expects a deficit of $10bn in 1981. Those deficits are sustainable—always provided nothing goes wrong, *say, on the oil* front. But they are large even compared with the Bundesbank's net reserves of about $35bn.

Less lavish

The Bundesbank admits that monetary policy alone cannot restore the situation and calls for restraints on personal consumption. Thereby it means a moderate wage round and, one *suspects*, less lavish foreign holidays imposed by personal thrift and the exchange rate rather than by controls. By such means it hopes to release resources for technological progress and investment. In *essence that is the Swiss recipe*. But unlike the Swiss, Germany has many important mature industries such as steel and motors which employ large numbers of workers and are running into heavy competition from Japan and the newly *industrialised countries*.

The German record of the last 20 years shows that the challenge can be met: but the job is indubitably becoming harder.

The coming wage round will shed much light on the course events are likely to take. Employers' associations have been pleading for maximum wage increases not to exceed 2.5-3 per cent. That figure may be taken with a pinch of salt. But the patience even of *German trade union leaders* may be strained by offers below the forecast rate of inflation of 4 per cent. In spite of the widely held belief that the German unions never strike, they have done so in the past, and may do so in future. A moderate response to present economic circumstances remains, on balance, the most likely outcome.

Transfer

Moderate trade unions and a 4 per cent inflation rate (or even one of 5 per cent if a recent trend is perpetuated) may *sound like economic paradise to* many non-German ears. Moreover the German environment is far more responsive to market pressures and to the need for industrial adjustment than, say, in the UK. Yet a malaise about the economy is unmistakable in Germany. A recent circular from one of the most important banks spoke of failure all along the line: a succession of pump-priming programmes had achieved nothing except to raise debt; the inflation rate was too high; more than 1m people were unemployed; the current account was in a mess, and *growth was inadequate*. Investment has been holding up reasonably well, but if that bank's view is typical of opinion in the financial world then a transfer of resources from consumption to increased investment may not be easily achieved.

None of all that adds up to disaster. But Germany has clearly coped less well with the oil shock of 1981 than that of 1973. The Bundesbank's call to tighten belts will not be easy to put across to a people so used to affluence as the Germans.

The shrinking merchant navy

BRITAIN'S shipping fleet is highly vulnerable to international competition: this simple fact is central to the current dispute between the shipowners and the National Union of Seamen. The British fleet is still the fourth largest in the world, but it is in rapid decline. Over the past five years it has shrunk by a quarter in size, and some 17,000 jobs have been lost. This contraction has occurred during a period in which the world shipping fleet has grown by over a fifth.

Some of the decline can be accounted for by the switch to containers. As a rule of thumb, one container ship can do the work of six conventional cargo ships. Yet the UK bulk carrier fleet, which is not affected by containerisation, has shrunk by over a third since 1975 and the tanker fleet, also not affected, has fallen by a quarter, despite a substantial increase in the world's seaborne trade in bulk commodities. Over the past decade the UK share of the world fleet has dropped from 11.6 per cent to 6.6 per cent as the centre of gravity in shipping has moved away from the traditional maritime powers, and towards the low labour cost countries of the Far East.

Some of the blame for the rapid contraction of the fleet must be borne by the shipping companies. They overcommitted themselves in unprofitable areas such as gas carriers, and sold a large part of their bulk carrier fleet at the bottom of the market, while failing to exploit potential growth areas such as the UK offshore oil services industry. These costly mistakes have sapped the financial resources of many UK shipping companies and weakened their ability to reinvest in new ships at a time when the industry is undergoing significant technological change. The main cause of the shrinkage of the industry, however, has been its general decline in competitiveness, a result of both the strength of sterling and the sharp rise in UK manning costs.

With most of their costs in sterling and most of their revenue in dollars, UK shipping companies have suffered considerably from the appreciation of the pound. A typical refrigerated cargo ship, for example, now earns 25 per cent less than it did in 1977, because the value of the pound has risen and dollar freight rates have not moved. At the same time, UK crew costs have risen substantially and little progress has been made on reducing manning levels.

The General Council of British Shipping claims that as a consequence of this decline in competitiveness, it costs nearly twice as much to run a handy-sized bulk carrier with a British crew as it does with a Korean crew. Even by comparison with traditionally high-cost maritime countries, UK crews look expensive. German seamen, for example, have just accepted a 5.4 per cent wage increase for 1981. All shipowners face similar fuel costs and port charges, and the only area where they can compete is in crew costs, which account for between 40 and 60 per cent of a ship's running costs.

Uncompetitive

At the same time UK shipowners cannot rely on a captive market for support if they become uncompetitive. Nearly half the £3.2bn revenue of the British fleet is earned in the "cross-trades," by ships which rarely visit UK shores. These vessels are the most vulnerable to any changes in their competitive position, that result from higher crew costs. They already face subsidised competition, particularly from Communist countries.

The British merchant navy has an admirable safety record and is skilled in handling sophisticated and dangerous cargoes. But these advantages are not enough to stem the continued decline of the UK fleet if it remains uncompetitive. Perhaps more than any other industry in Britain, the present difficulties of the UK shipping fleet point up the close connection between employment levels and international competitiveness. A prolonged industrial dispute will not help restore the fortunes of what until recently was the world's biggest merchant fleet. It will almost certainly cost jobs.

IRISH OIL PROSPECTS

Much depends on Porcupine

By Ray Dafter, Energy Editor

IT IS time to take the Irish offshore oil industry seriously. For there are signs that, with an increase in drilling activity and improvements in exploration and production technology, Ireland has every chance of reaching its longed-for goal of oil self-sufficiency.

Up to now Ireland has been a side attraction to the main show in the North Sea. The oil companies have been in deadly earnest, of course. They have invested their millions in a search—so far largely abortive—for commercial oil and gas fields. Of the 59 wells drilled in the past decade, 52 were dry or prematurely abandoned.

The successes have been modest to say the least: one *small commercial gas field*, Kinsale Head in the Celtic Sea; Esso's little Seven Heads oil and gas discovery, again in the *Celtic Sea area; and British* Petroleum's tantalising Porcupine Basin oil find, in the Atlantic, 100 miles off Ireland's west coast.

It has been the way in which these successes have been greeted—by Irish commentators, analysts and investors alike—that has added the air of unreality to Ireland's offshore venture. Like the leprechaun, Irish oil fields may be small and elusive but they are still seen as having magical *properties. Each whiff of gas*, each drop of oil has been taken as a sign that energy fortunes are just round the corner.

As a result Mr. George Colley, Ireland's Energy Minister, has had repeatedly to explain his sensible reservations. "There has been a tendency to classify me as being unduly conservative at a time when other *people are waxing almost lyrical* about our future oil prospects," he has said. But while he is reluctant to take for granted estimates and assumptions that have still to be verified by further drilling, he remains optimistic that Ireland will ultimately have commercial oil production.

Just one commercial oil field would have a significant impact on Ireland's balance of payments deficit. The Energy Department believes that this year the oil import bill could be between I£800m (£635m) and I£850m (£675m) as against *I£750m (£595m) last year.*

But it is not just a case of financial balances. The republic is also vulnerable to Middle East supply disruptions. In 1979, for instance, Ireland imported about 2.2m tonnes of *crude oil to turn into refined* products: 2.07m tonnes was obtained from four Gulf states—Saudi Arabia (by far the biggest supplier), Iraq, Iran and Kuwait.

Last year Ireland imported a total of 6m tonnes of crude oil and products—the equivalent of about 120,000 barrels a day. One field, the size of *Thistle in the North Sea, could* provide oil self-sufficiency. Alternatively, and much more likely, two or three small commercial discoveries could provide a similar measure of security over a limited period.

The Irish are clearly hoping that the Porcupine Basin will provide one or more of these producing fields. The portents are encouraging. British Petroleum, as operator for the Aran Energy/BP consortium, has located light, high quality oil with two wells drilled on block 26/28. According to stockbrokers Wood, Mackenzie, the un-named find could contain as much as 200m-300m barrels of recoverable oil—the size of some of the North Sea's com*mercial fields*. The tentative estimate was wrapped in numerous qualifications, however.

In truth, it seems unlikely that BP has proved the existence of more than 20m or 30m barrels of oil—far too little to justify exploitation 100 miles from land in 1,225 feet of water.

For the time being the Porcupine discovery remains one of those frustratingly enticing prospects: too big to ignore but too small to be commercial or, as one seasoned oil explorer described it: "Like a stripper who refuses to go all the way."

Mr. John Batchelor, general *manager of BP Petroleum* Development in Ireland, said it was unreasonable to expect any production from the Porcupine Basin before 1985. Even then, much would depend on how much more oil could be located and proven and how modern production techniques could be applied to such deep, hostile waters. The new generation of *floating production* platforms linked to seabed well systems would seem to be one option.

But the Porcupine prospect spreads much wider than the BP/Aran discovery: the geological basin as a whole is thought to extend at least 150 miles to the south. A number of fields could be hidden although without an extensive *exploration programme no one* can tell.

What would happen if explorers found some big fields, capable of exceeding Ireland's oil requirements, is a heady prospect not yet fully evaluated *within* Dublin. It seems likely that Ireland would choose to ease its economic problems by becoming a net exporter. Coincidentally this would give the republic more economic muscle in any fresh moves to solve the Irish question.

The Irish Government is aiming to stimulate exploration through a new round of offshore *licensing announced recently*. Of the 108 blocks on offer, 46 are located in the Porcupine Basin. According to Dr. David Whitbread, the Government's senior petroleum adviser, all of the blocks must be considered *worth exploring. If anything the* prospects for a sizeable discovery improved towards the south.

Among those thought to be interested in the new Porcupine Basin licences is British National Oil Corporation, the UK state undertaking. BNOC might also be a popular applicant with the Irish Government for, without refineries of its own, the Corporation would be in a position to sell any oil found to its opposite number—the Irish National Petroleum Corporation.

Mr. Colley, the Energy Minister, has made it clear that in considering applications he will look kindly on those countries willing to supply crude oil on a long-term contract to the INPC. At the same time applicants will be judged on their technical competence, financial standing, exploration experience and their willingness to use Irish goods and services. The conditions of the licences, to be awarded next year, are very similar to those adopted by the British Government for its concessions.

The two governments share more than their liking for this particular set of licensing criteria. Each is claiming exploration rights over the same portions of offshore territory: an are of the Atlantic *south of Rockall* and a wedge of the Celtic Sea and Atlantic to the south and west of Ireland. The counter claims in the long-running boundary dispute are being put to an international court of arbitration but it could be at least a year before the dispute is settled.

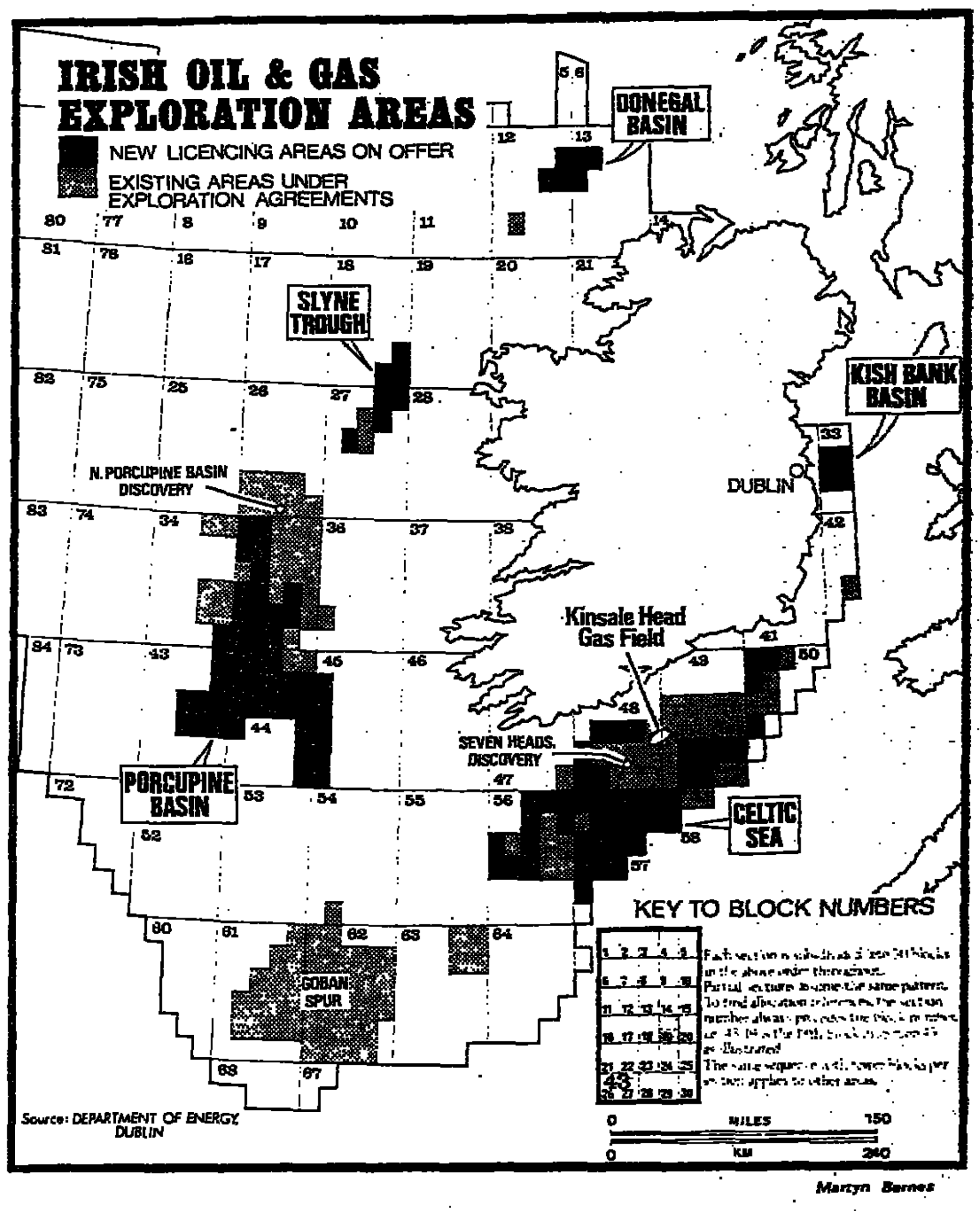
The sensitivity of the argument was shown last year when BNOC, seeking a new role overseas, was prevented from bidding for an exploration licence close to one of the disputed areas. It is thought that BNOC was keen to drill in the Goban Spur area of the Atlantic but, following pressure *from the British Foreign Office*, was stopped by the Energy Department which must sanction the Corporation's overseas exploration ventures.

The Goban Spur could emerge as the most exciting of *Ireland's offshore exploration* areas although the Energy Department cautions that, in the absence of any wells and limited seismic information, speculation is premature. Even so, Mr. Dick Bray, exploration *manager of Esso Europe*, is sufficiently encouraged to speculate that the area could contain "1bn barrel structures." One can only imagine the euphoria of the Irish if such a giant field was discovered.

Esso has an option on 30 blocks from which it must select 14 on which to drill. The first well in the area could be sunk next year. Mr. Bray reckoned that on the basis of *current seismic information the* chances of finding a sizeable field, of around 250m barrels recoverable oil, was one to 30.

Finding oil in such a remote, hostile location is only part of the challenge. The depth of *water in the area ranges from* 2,000 to 5,000 feet—far beyond the range of most offshore production techniques. To tackle production in such deep water —and almost certainly setting a world record along the way—a *company would probably have* to rely on the sort of submerged production system about to be tried by Shell and Esso on the Central Cormorant Field in the North Sea.

Significantly, the Energy *Department has not included* the Goban Spur in the new round of licences although under its separate "open door" licensing policy companies can still apply to drill on any unallocated block.



Martyn Barnes

Another area which is featured in the licence round is the Celtic Sea where 45 blocks are on offer. Here a *good deal of geological information* is available although the Energy Department is not convinced that Marathon and Esso, the existing concessionaires in the area, have fully appraised their past licences. As Mr. Colley, the Energy Minister, commented: "The Celtic Sea is an area which, up to now, has been the preserve of two companies—two very competent companies I should add—but we would like to see other companies having a look at the prospects." In order to encourage a more comprehensive exploration of the Celtic Sea the Government is making available, for £2,500 per company, a new study of the area's geology, geophysics and chemistry.

Apart from Marathon's Kinsale Head gas field, now on stream, the Celtic Sea contains the puzzling Seven Heads oil and gas accumulation identified by Esso and Marathon. The three successful wells drilled so far indicate that the reservoir is tiny. According to Mr. Bray of Esso an optimistic assessment might be about 100bn cubic feet of gas and 1m to 2m barrels of oil. To put those figures in perspective, most North Sea gas fields have reserves measured in trillions *(million million)* of cubic feet: an oil field with one or two million barrels of reserves could only be exploited if it were on land.

Nevertheless, the Energy Department has told Esso and Marathon that they should look at the possibility of using the oil and gas to generate electricity on an offshore platform. "We have looked at offshore power generation as against conventional recovery but we were not impressed. I would be very surprised if such a scheme saved Seven Heads," said Mr. Bray.

Esso plans to have another look at ways of exploiting Seven Heads. Mr. Bray accepted "there is no way that we can sit on this and do nothing." The options included proceeding with the drilling of another well, offering all or part of the licence to another company, or handing back the concession.

The Government expects that the new licence round will, in itself, result in at least 50 exploration wells being drilled in the next decade, probably substantially more. In addition, companies will continue evaluating existing concessions—eight exploration and appraisal wells are likely to be drilled this year, for instance. Surely, it is argued in Dublin's *Kildare* Street—headquarters of the Energy Department—all this drilling activity will confirm that Ireland does possess oil which can be exploited in commercial quantities.

As Dr. Whitbread, its consultant, commented this week: "I am confident it is only a matter of time before commercial fields are discovered. But it is likely to be 1990 before we are self-sufficient."

MEN AND MATTERS

Wales turns to Mondragon

Casting off the old cartoonist's plodding cart-house image, the Wales TUC is making its own attempt to alleviate the unemployment problems in the principality where 134,000 are now jobless.

A 12-man team, including four unemployed workers, is setting off to the Spanish Basque country next week to *investigate the possibility of* establishing a Mondragon-style co-operative movement in Wales. The first Mondragon co-operative was started in 1956 by 25 workers making stoves. It has grown over the ensuing years into a complex of 80 ventures, including a bank with a £400m a year turnover, which employ 17,000 people.

Action by the Wales TUC has been spurred by research officer Denis Gregory, and Chris Logan, a senior executive with Logica management consultants, the London-based computer software company, who met in the aftermath of the first Welsh steel closures five years ago.

Logan, whose mother is Basque, worked in Mondragon for two years. And after Gregory had rediscovered the constitutional commitments of both the transport and engineers' unions to the creation of worker co-operatives, Logan tells me: "The idea of a Mondragon-style venture developed naturally. There are so many social and geographical similarities between Wales and the Basque country."

Their plans were embraced by the Wales TUC amid the second wave of steel closures a year ago and the Commons Welsh Select Committee added its support.

Gregory tells me: "We believe we can draw on Mondragon's unique experience to start trade-union backed co-operative projects in Wales that would ease the jobs crisis." If the study, which will also take in common ownership schemes in France, Italy and the rest of Britain, *reveals* promising prospects, the Wales TUC would set up a resource centre to provide expertise and finance for groups of redundant workers wanting to start their own businesses.

"If you ask me they're a range of gas guzzlers made by dollar guzzlers!"

Such entrepreneurial spirit appears to have outweighed any ideological doubts in the Government. It has bestowed its blessings on the venture with grants of £45,000 towards the initial study.

Camera obscura

Roll on January 29, when the adjourned annual general meeting of franchiseless Westward Television re-convenes in The Studios, Plymouth. Back for the occasion is Bill Cheevers, managing director until 1970, dismissed by Peter Cadbury, and now claiming the support of around a quarter of the group's voting shares to back his resolu*tion to remove Lord Harris from* the chair, and Ronald Perry and Kenneth Holmes from the board.

Cheevers, with bridges to Cadbury re-built—"ten years is a long time"—thinks a "first-class liquidator" would be the best man at Westward's helm. Who does he have in mind? "Someone from Cork, Gully perhaps, but not the present board." With a little over 5,000 voting shares himself, Cheevers hopes for backing from a substantial trust-held Westward stake. But if the board accepts his idea he tells me he may withdraw the resolution.

We'll be back, after the break.

Outward bound

With £15m invested in the U.S. since 1977 and more earmarked for the future, engineering to shipping group Powell Duffryn is establishing its first overseas resident director in the country. Michael Wilkinson, the PD board's constant globe-trotter for the past ten years in pursuit of its expanding international operations, flew from London at the weekend to search for a new base in Connecticut.

Wilkinson, who joined the group as a management trainee, will be responsible for the continued development of its interests in North America as president of PD's subsidiary there.

"*Our operations have grown* up fairly slowly," he says. "But they are now gathering momentum—and I've been more or less commuting between New York and London for two years."

The group's investment has been concentrated in steel pipe supply and pump manufacturing companies in Arizona and in a bulk liquid storage terminal in Bayonne, New Jersey — a far cry from its origins in the Welsh coalfields.

But Wilkinson tells me: "We are putting into practice a positive plan of expansion abroad. Apart from developing our present activities in the U.S., I shall be looking for opportunities to extend into the general engineering field over there."

Fountain head

Having written a guide-book to executive survival seven years ago, David Moreau knew exactly where to turn for advice when he quit as managing director of water treatment company Elga Products after disagreements with chairman and founder Walter Lorch.

"In fact I found I'd followed two of my own precepts faithfully," Moreau tells me. "I'd maintained a constant scan on opportunities in other companies in the same field and I'd kept up my money-making hobbies."

For three months, 52-year-old Moreau kept himself profitably occupied by expanding his leisure interests in journalism and photography and in genetic engineering. A former chairman of Weddel Pharmaceuticals, he says: "Medicine has remained a hobby."

And now he is installed as managing director of the Dewplan group's Chiltern company, one of Elga's main competitors, with customers like ICI, Unilever and the DoE for its water purification technology.

"This is the intellectual end of the business," says Moreau. In a final squirt at his former boss, "A think-tank." And he plans ambitiously to achieve the 10-fold rate of growth for Chiltern that he secured during his eight years at Elga.

Beckman's bark

"Remember Bob Beckman." Such was the cry, when Brian Marber was named in these columns as the City's next best thing to Joseph Granville. "Beckman is the man," they pointed out, "whose dog buys and sells shares in its own name, making a claimed £112,000 profit in the last four years."

True or false? True, I'm afraid. "The dog is called William of Arethyn, which means son of the bear," explains Beckman. "It makes most of its money in bear markets." Beckman reads out a list of "buy" and "sell" suggestions, the dog barks, and the deal is done.

The human side of the partnership studied economics at Harvard and Columbia, was apprenticed on Wall Street and runs a staff of seven, a newsletter, a radio spot, and £30m in managed funds.

Observer

FINANCIAL TIMES SURVEY

Monday January 12 1981

Europe

The dream of a united Europe by 1980 has passed into history. Economic growth is sluggish and unemployment is at a record level. But the EEC is progressing towards a co-ordinated foreign policy and a greater world role and the European Monetary System is working well. The Community has failed to live up to its aims, but at least it still exists.

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On course for the next crisis

By Reginald Dale
European Editor

VIEWED FROM Western Europe, the world of the 1980s looks an uncertain and dangerous place. Just 10 years ago, Europeans were still living in what now seems like a fool's paradise. In a surge of optimism the six-nation European Community was about to be enlarged to nine to embrace the UK, Ireland and Denmark.

The goal of full European union (economic, monetary and political) was confidently set for 1980. Blissfully unaware of the imminence of the first traumatic oil crisis, the Europeans were still riding a wave of prosperity that had led to a massive increase in living standards throughout the 1960s under the comfortable security umbrella of the most powerful nation the world had ever seen, the United States of America.

Today, the deadline for European union has already passed virtually unnoticed, the Community is in many ways no further forward than it was when Britain joined in January, 1973, and in most European countries the needle on the dial marked "economic growth" is flickering around zero. Unemployment is at record postwar levels, and the EEC's Heads of Government have come close to confessing that there is precious little they can do about it. At their recent Luxembourg summit, they somewhat evasively decided, not for the first time, that inflation should be tackled first.

Despite some success stories, most notably in West Germany, European industry has been sluggish in adapting to competition from Japan and the newly industrialising countries of the Far East and Latin America. Similarly, at the political level, the Europeans (though they are not alone) have largely failed to respond to one of the main challenges of the last quarter of the 20th century: the forging of a new relationship with the awakening masses of the Third World.

The European Community has notched up a few successes. The European Monetary System, which links the currencies of all member states except sterling, is an innovation that has run smoothly. Relations with the Third World would be worse were it not for the partnership established by the Lomé Convention and the generalised *system of preferences.*

Nine-nation co-ordination of foreign policy has made steady progress and the angry tension between Britain and its partners has receded with the settlement of the UK's financial demands, at least for the time being.

But the Community is heading straight for a new crisis over finance, and the Common Agricultural Policy, when it hits its spending limit either this year or in 1982. On past evidence, there can be little hope that the Community will have seriously started to grapple with the problem until it is right in the thick of it.

Greece became the tenth member on January 1, with Spain and Portugal lining up behind. But there has been no serious attempt to adapt the Community's structures and institutions, designed in the 1950s for six members, to cope with the strain that 10, 11 or 12 are bound to generate.

Lethargic

Visitors from more bustling societies, like that of Japan, can be forgiven for sometimes finding Europeans decadent and lethargic. The Community was set up as a unique experiment in which a group of dedicated nations were to sink their differences and pool their resources in an attempt to take history by the scruff of the neck and reverse what seemed an inevitable decline in their economic and political status. Today's governments and politicians seem prepared to settle *for much less — almost as if the* rest of the world will stand still so long as Europe does.

The world, of course, is not standing still. Today the U.S. is no longer demonstrably the world's Number One super power. The Russians are generally admitted to have caught up with the Americans in strategic power and are probably now moving ahead, leaving a gap of several years before the U.S. can catch up.

Americans and Europeans alike have proved powerless to prevent the Soviet invasion of Afghanistan, or to bring effective sanctions against the Soviet Union for its action — although they have vowed to do better over Poland. A largely unpredictable new generation of leaders will soon take over in the Kremlin. Meanwhile, Europeans are divided among themselves and with Washington over their relations with the East.

It is not just that the West has found it difficult to apply real leverage on the Soviet Union. Events are erupting around the world, and particularly in the Middle East, that are beyond the control of either super power.

Neither Moscow nor Washington has been able to exert effective influence on the combatants in the Gulf War, still less on internal developments in Iran, while the technology for nuclear weapons looks set to continue its inexorable, if slow, spread to potentially belligerent countries in the Middle East and elsewhere. Quite apart *from the danger of local conflicts* that could escalate out of control, Europe's vital oil supplies are now more vulnerable than ever before.

Closer to home, there is trouble, too. For three decades the North Atlantic Treaty Organisation has successfully defended Western Europe from the threat of Soviet expansionism. NATO was established in 1949 on the familiar assumption that the next war was in danger of starting where the last one finished: in Central Europe. The entire Alliance is geared to defending itself against a thrust from the east across the North German plain. And yet, paradoxically, while Central Europe contains the greatest concentration of armaments that the world has ever known, it has also, for much of the last 30 years, been arguably the most secure area anywhere on earth. The military balance has held.

Axiomatic

Recently, however, what military analysts call "destabilising factors" have been introduced. It can be taken as axiomatic that neither side wants a war in Europe, just as neither super power wants an inter-continental nuclear war, but the Polish crisis has pointed up the dangers of events in Eastern Europe running out of anyone's control. NATO's job is not, of course, to send Western troops and tanks to defend the Poles against Soviet invasion. But nobody can honestly predict *what would happen should* Soviet intervention in Poland lead to a wider flare-up in Eastern Europe, and possibly even in the Soviet Union itself.

Most Europeans were at a loss whether to favour President Carter or Governor Reagan in last month's elections. Many of them were disillusioned with President Carter, but equally afraid of the Right-wing image of the relatively unknown (in Europe) former Governor of California.

Mr. Reagan's first few weeks as President-elect have been mildly reassuring. It was a good move on his part to break his own rules and meet Chancellor Helmut Schmidt of West Germany during the Chancellor's recent visit to the U.S. The Europeans are also encouraged by Mr. Reagan's continued stressing of the need for real consultation in the Alliance. Clearly, consultation procedures, particularly in emergencies, need to be improved — the West was notoriously slow in getting *its act together after Afghanistan* — and relations touched some unnecessarily low points during the four years of Mr. Carter's presidency.

Europeans are also concerned that the incoming U.S. Administration will want to take a tougher, perhaps too tough, line with Moscow—one consequence of which could be heightened American pressure on the Europeans to follow suit.

Already, the outgoing Carter Administration has upbraided European governments for falling behind in their defence *efforts.*

Many Europeans are forecasting a "rough ride" with the new Administration on defence —and indeed over the whole area of East-West relations, both political and economic—in the coming six months. The Americans, with some justification, see Western Europe as in real danger of "Finlandisation" by the Soviet Union in the coming years. They have now angered Copenhagen by coining a new word, "Denmarkisation," to describe the sort of Alliance membership that involves contributing little but still relying on others for defence. (If proponents of unilateral disarmament were ever to gain power in Britain, we should doubtless also have "Englandisation".)

Positive

These are real problems, and the Reagan administration is bound to be looking at them very closely. But it is worth remembering that there are some positive items in the European balance sheet. Under the *leadership of President Valery* Giscard d'Estaing of France and Chancellor Schmidt, the Europeans are groping towards a wider world role to balance the relative decline of the U.S. A more openly "European" UK Government is now signalling its desire to play its own part in this process. The Community has not lived up to its original aims and ideals, but at least it is still there.

Its existence has almost certainly helped to prevent the *recession from sparking a chain* reaction of "beggar-my-neighbour" protectionist measures inside Europe and beyond. Despite recession and previously unthinkable levels of unemployment, West Europe's national and international institutions still look remarkably stable. The Yalta division of power in Europe, for all its faults, has held firm and helped to guarantee the whole of the West's security. The world may look threatening and dangerous from Western Europe. It is perhaps cold comfort that it undoubtedly *also does so from Moscow.*

Budget restructuring puts Community under strain

THE EEC

JOHN WYLES

IN THE space of just a few months last year the European Community shifted from a state of animated suspense to one of suspended animation. The transformation came at the end of May with the settlement of what became known as "the British budget problem", since then the Community has seemed to be taking a "breather" in preparation for what will be immense political struggles this year.

There can be no doubt in anyone's mind that the EEC is again approaching yet another critical phase in its young life out of which it can either emerge strengthened by a new sense of direction of purpose or in a highly distressed condition, racked by divergent forces. The budget restructuring task forced by the British budget settlement is likely to put the cohesion of the member States under immense strain because the issue is of such fundamental importance for individual national interests and for the future direction of the Community.

The way the budget problem is solved could determine for the foreseeable future whether the Community's spending is to remain locked within a strait-jacket which restricts available resources to less than 1 per cent of Community GDP. It could bring about significant changes in the Common Agricultural Policy (CAP) to reduce the politically damaging and financially ludicrous creation of product surpluses. It could either confirm the British people in their anti-EEC attitudes or help bring about a more favourable shift of opinion. Finally, the outcome of budget restructuring will be a major factor in determining the success or failure of the next enlargement based on the accession around 1984 of Spain and Portugal.

Although the approach of this watershed has been widely foreseen for the last two or three years, few could have predicted the extent to which the British budget problem would have accelerated its arrival. The often bitter wrangling over this issue forced the other eight member States to acknowledge that the Community cannot be sustained by a budget so dominated by the demands of one sector that it was clearly detrimental to the national interests of at least one member State and failing to meet the broader needs of all.

Interest

The final settlement, although temporary and ad hoc, gave West Germany a much greater interest than ever before in altering the Community's priorities because it transferred to Bonn much the largest burden of financing the EEC. In addition, by guaranteeing the UK a rebate worth £1.6bn over two years, the agreement took the Community so close to the limit of its "own resources" that budget restructuring is unavoidable if the EEC is not to run out of money this year or early next.

Steering the Community through the extremely difficult waters of budget restructuring puts an immense responsibility on the new Commission which came into office this month under the Presidency of M. Gaston Thorn of Luxembourg. The Commission has been told to produce by the end of June proposals for restructuring the budget so that the inordinate payments burden suffered by the UK is permanently lightened and so that no other member State would find itself in an "unacceptable situation."

The technical problems are enormous. The first requirement will be to devise acceptable reforms so that there is no further increase in real terms in the budgetary costs of the CAP. The second will be to suggest changes in present spending policies and the creation of new ones which would both reduce the CAP share of the total budget through time and also transfer resources to member States such as the UK and Greece which, without current special arrangements, would be paying far more into Brussels than they would receive.

Thirdly, the Commission is bound to suggest a new revenue system so as to expand resources available to the Community. It might indeed decide to recommend scrapping of the current arrangements based on the transfer to Brussels of customs duties and agricultural levies charged by member States on imports from third countries. Clearly, Community revenue actually tends to diminish as trade within the Community increases. The other source of revenue, Value Added Tax, is subject to a 1 per cent ceiling which cannot be changed without ratification by the Parliaments of member States. It is this ceiling which is now perilously close.

Reviewing the broad options facing the Community, Mr. Roy Jenkins, the retiring President, identified in a recent lecture three broad possibilities. First, there could be a switch to an *à la carte* Europe or "two, three or four speed Europe" by changing the unitary character of the Community and removing the obligation on member States to participate in all its affairs at the same time and in the same fashion. This approach would acknowledge that the interests of a Community of Ten or Twelve are so fundamentally divergent that a common speed of development was no longer possible.

It would also, said Mr. Jenkins, lead to the end of a real Community since "without a common discipline or readiness to make sacrifices for the common good, the elaboration of common policies, which inevitably requires give and take, would be virtually impossible."

Politically, an *à la carte* Community would tend to produce groups of alliances and a working directorate of those who committed themselves to most policies. The second broad possibility would be to patch up the existing budgetary system without radically changing it. This has superficial political attractions but immense technical difficulties.

Insufficient

Even if it were possible to reduce agriculture expenditure substantially, and Mr. Jenkins sounded dubious, there still would not be sufficient funds to deal with the major problems of increasing economic divergence within the Community and the need for a Community approach to the renovation and redirection of European industry.

The third broad possibility "is at once the most difficult and the most desirable." It would involve substantial redesign of the EEC's revenue and expenditure system with a balanced and buoyant own resources system.

On the expenditure side, the retiring President was doubtful that major reductions in agriculture spending were possible without whittling away at common policies and returning some of the responsibility to member States. If, however, agriculture spending could be held in real terms at something like its present level and spending on non-farm activities greatly increased, then the budget would be better balanced and the Community able to tackle economic divergence and industrial regeneration. Finally, he suggested that Community spending should rise from its current level of 0.8 per cent of Community Gross National Product to around 2½ per cent.

Whichever of Mr. Jenkins three possibilities actually comes to pass, the internal political dynamics of the Community are bound to change. Enlargement looks likely to speed up the process whereby the pace and substance of EEC development is determined by the larger member States.

For the past four years the Franco-German axis has been the key factor in EEC decision making. Any new budgetary system which effectively transferred resources from these two member States to the poorer members would be likely to strengthen their political assertiveness. This, in turn is likely to encourage the formation of counter-alliances.

Unless the Ten or Twelve allow the Commission and the European Parliament more decisive authority a successful restructuring of the budget might still fail to avoid political fragmentation.

EEC STATISTICS

	Germany	France	Italy	Netherlands	Belgium	UK	Denmark
1 Population							
Total population 1979 (000)	61,359	53,478	56,609	14,038	9,848	55,846	5,117
Civilian working population 1979 (000)	25,893	22,461	21,985	5,106	4,046	26,841	2,599
Unemployment rate October 80%	3.4	7.1	8.3	5.4	10.5	7.9	7.1
2 Industrial production (1975=100) 2nd quarter 1980							
All industry	120.8	116.9	131.4	112.8	118.3	107.5	117.5
Chemicals	125.5	130.2	140.0	131.6	122.4	107.1	
Engineering	122.3	114.1	132.8		120.8	92.1	121.6
Iron and steel	111.8	122.8	133.2	114.7	128.0	81.2	169.2
Textiles	111.2	101.1	132.6	99.2	106.1	82.9	109.5
Cars	131.7	126.7	127.3	130.6	106.7	79.2	121.1
Energy ('000 tons)							
(a) Hard Coal Production January-October 1980	79,681	15,387	—	—	5,272	103,500	—
Imports from non-EEC January-August 1980	4,574	15,538	9,248	3,398	4,449	5,081	6,044
(b) Crude Oil Production January-July 1980	2,711	779	980	931	—	45,209	—
Imports from non-EEC January-July 1980	50,331	65,651	54,162	30,065	19,046	26,373	2,084
Supplies from UK January-July 1980	8,672	1,610	106	2,418	772	—	1,649
3 Consumer Prices % change October 1980/October 1979	5.1	13.5	21.1	7.0	7.9	15.4	10.7
4 Trade Balance U.S.$ (m)	922	−3,977	−4,717	−1,300	−1,139	−2,625	−726
5 G.D.P. per capital (U.S.$)	12,373.0	10,682.5	5,133.3	10,623.7	11,402.7	7,149.8	12,935.3
6 Foreign Exchange Reserves ($m)	44,176	23,829	19,105	9,306	6,147	20,471	2,155.2

Source: Statistical Office of the European Community.
Comparable current Irish statistics not available.

Stability survives intact despite a decade of upheavals

POLITICS

MALCOLM RUTHERFORD

POLITICALLY, Western Europe is remarkably quiet. One has only to think back to the student unrest of the late 1960s or the forecasts of the threat to the body politic that followed the first rise in oil prices in 1973-74 to see that Europe has survived in rather better shape than might have been expected.

Other spectres have proved less haunting than was once feared. Urban guerrilla terrorism has at least not grown any worse, though perhaps we have also come to live with it. The idea of Eurocommunism, so much discussed a few years ago, appears to have come and gone. The Christian Democrats still, more or less, rule Italy.

Populations have adjusted to lower growth, higher inflation and a generally rising trend in unemployment — in short, to a less stable economic environment — without any marked political repercussions. There has been no new Poujadisme and no new Glistrup — perhaps they were the luxuries of the past—but only a sombre lowering of expections.

Still there

When President Pompidou died and Chancellor Brandt resigned in 1974, it was thought that Europe might have lost its leaders. Yet seven years later their successors are still in office and the Franco-German relationship is closer than ever. They are not alone in their hold on power. In Austria, Chancellor Kreisky seems to go on for ever. It is Britain that is perhaps the maverick, having had four Prime Ministers in the past ten years and a change of Government with practically every general election.

The political trend is conservative, though it is conservative with a very small "c." Britain may be again the exception, but in Continental Europe—and in Ireland—it almost does not matter what the government is called: it is unlikely to be radical.

The most decisive political change should have taken place in Sweden with the defeat of the Social Democrats after more than three decades of power several years ago. Yet in 1980 the non-socialist government coalition was still quarrelling among itself about how it can reverse socialist practices.

Social democracy has become a way of life, infecting even some of the non-socialist parties. What could be more conservative, in the literal sense, than that? Mr. Olaf Palme, the Social Democrat leader, still hopes to become Prime Minister again after the next general election.

There is talk of a more radical change in Norway which holds elections this year and where (shades of Britain) support for the ruling Labour Party, is said to have fallen to its lowest level since the 1930s. Certainly opinion polls and local election results seem to bear that out. Yet one wonders in the light of the Swedish example how great the change could be. There may be discontent with governments in office, but there is little agreement on alternative policies.

In West Germany, Chancellor Schmidt was re-elected in October hands down. But it is striking that the real victors were the liberal Free Democrats (FDP), his junior coalition partner, rather than his own Social Democrat Party, which barely increased its share of the vote. Herr Schmidt himself probably preferred it that way since dependence on the liberals gives him an excuse for avoiding the more radical policies advocated by his own Left-wing.

It is no less striking that the immediate reaction of the Left to the Chancellor's declaration of government policy in November was to say that it was a sell-out to the FDP. In many ways, it was. Yet that was what the electorate voted for: a conservative Social Democrat Chancellor who was more than willing to be contained by his non-socialist coalition partner.

The opposition Christian Democrats, the supposedly true conservatives, have never made any bones about it. Herr Schmidt, is the best conservative Chancellor available. He suits the mood of the times; pragmatic, cautious, consolidating and unlikely to embark on any rash experiments. He might as well have campaigned on a slogan of "Safety First," like Konrad Adenauer borrowing from Stanley Baldwin.

It ought to be different in France; certainly the system is. It has been suggested that if President Giscard d'Estaing is re-elected next spring, he will shortly thereafter proclaim himself Emperor or King, or at least hold a referendum on the matter. Yet the very fact that the suggestions could be made, even in jest, shows the weakness of the French opposition parties.

Odds with Giscard

Apart from the clown Coluche, the candidates against him are likely to be M. Debré for the Gaullists, M. Mitterrand for the Socialists and M. Marchais for the Communists. We have been here before. It seems unlikely that any of the opposition candidates is poised to become President of France. The odds must lie with the pragmatic President Giscard with his attachment to the market economy, the Atlantic Alliance and the European Community. He and Chancellor Schmidt have a lot in common.

Britain may be less deviant than is sometimes supposed. In terms of political philosophy, the obvious comparisons lie between Britain and the U.S. rather than between Britain and Europe. In the American election campaign people referred to the Thatcher experiment all the time, but in Germany Herr Strauss won no support for saying that he was "the German Mrs. Thatcher."

Yet the interesting strain in British political speeches is the almost statutory reference to Germany and the Continental experience. Some people refer to the German approach to incomes policy, industrial relations or inward exchange controls. Mr. Denis Healey prefers the Austrian model.

Others recommend the benefits of French planning, even though it is perfectly clear to outside observers that both the French and the Germans have increasing doubts about the efficacy of their own systems. What is unmistakable is that the British show an interest in Continental practice that was never there before.

Breaking down

The European ideal might be a mixture of the French higher educational system, the German trades unions and British tolerance, although all of them seem to be slightly breaking down.

Different political systems make it hard to make comparisons. West Germany might be quite different without proportional representation and the politics of Britain might have been transformed if the system of first-past-the-post had been abandoned. In France it is the power of the Presidency that has come to matter; that was not so under the Fourth Republic.

The systems apart, there appear to be certain common strands. Adventures are out. So, at the highest level, is nationalism, at least with a large "n." There is a feeling that the industrial democracies are together in the same boat: hence the only creeping advance of protectionism. The containing of inflation is regarded as more important than an end to unemployment, partly perhaps because more voters are affected by rising prices than by being out of work. The consensus is for consolidation and for making the best of relatively adverse circumstances.

Beneath the surface, however, European politics remain fluid. The managers — President Giscard and Chancellor Schmidt—have to decide what to do with their victories. Can they take the smaller countries, not to speak of their own populations, with them if the economic climate grows worse? So far they have shown staying power, but one suspects that they have yet to be fully tested.

Effects of Polish "heresy" shake Soviet self-confidence

EASTERN EUROPE

ANTHONY ROBINSON

THE PACE of political and economic change in Eastern Europe has changed dramatically in the 12 months following the Soviet invasion of Afghanistan.

Paradoxically, a move stubbornly defended by the Soviets as designed to strengthen its security along its troubled southern border has contributed to developments which have exposed its fragility in its prime security area—Eastern Europe.

It has strengthened the West's determination to stand up to Soviet expansionism and is believed to have contributed to that change of national mood in the U.S. which swept Mr. Ronald Reagan to a landslide election victory.

Faced with widespread Western and Third World condemnation and with 85,000 troops bogged down in a difficult guerrilla war, the Soviet Union has also had to face two major developments in Eastern Europe.

The first was the illness and ultimate death of President Tito of Yugoslavia. The coincidence of his illness with the invasion of Afghanistan inevitably prompted foreboding about Soviet intentions towards a country which established its independence from Soviet hegemony in 1948.

In the event, the collective leadership, carefully prepared in advance, smoothly moved in to take over power. It soon showed its capacity to move decisively by devaluing the dinar by 30 per cent on June 5 and pursuing a painful economic policy aimed at curbing high inflation and a worrying balance of payments deficit.

The Soviet leadership acted impeccably towards Yugoslavia. President Leonid Brezhnev neatly upstaged President Carter by turning up for the State funeral in Belgrade, while large-scale Soviet orders for ships and other products have helped Yugoslavia's economic situation and increased its reliance on trading links with Comecon.

The Common Market hurried through a favourable five-year Co-operation agreement to ensure continuing Yugoslav access to Western European markets.

Most Yugoslavs still believe that the long-term Soviet aim remains that of inducing the country to return to the true Socialist fold.

But the invasion of Afghanistan, coupled with the emergence of a much more serious ideological and political challenge to Soviet-style Socialism in Poland, have diverted Moscow's attention.

In the long run, this could greatly facilitate Yugoslavia's evolution along lines of its own choosing and with diminished risk of Soviet interference.

It is in Poland that the greatest changes have taken place. The emergence of an independent trades union movement is one of the most significant political developments since Yugoslavia's expulsion from the Comintern in 1948 or the death of Stalin.

Mr. Lech Walesa, influential leader of the new Polish trades unions, speaks to his colleagues at the Lenin shipyards in Gdansk. The necessity of Poland's continuing adherence to the Warsaw Pact has been recognised by the new unions

Charismatic

The situation is still fluid, but the changes have already been enormous. The ability of the new unions under the charismatic leadership of Mr. Lech Walesa to mobilise and channel popular discontent and the determination of both unions and the Communist Party to avoid repetition of the bloody riots of 1956, 1970 and 1976, has led to what can only be described as a peaceful revolution.

On the surface, the power structure remains basically unchanged. Mr. Edward Gierek, former party leader, Mr. Edward Babiuch, Prime Minister, and a host of lesser Government and party officials resigned or were reshuffled. But the formal leading role of the Communist Party and the geopolitical necessity of Poland's continuing adherence to the Warsaw Pact have been recognised by the new unions and most poles.

The truth remains, however, that the emergence of the new unions, added to the existence of a powerful Catholic church and an independent peasantry, has placed contraints on the Communist Party's power unprecedented in Eastern Europe.

The shockwaves from Poland provoked anguished signs of concern in the Soviet Union. For tactical reasons, the harshest criticism of Polish developments has been expressed by Poland's hard-line neighbours, East Germany and Czechoslovakia which, to all intents and purposes are Soviet-occupied territories.

Within weeks of the successful strikes in Poland, East Germany announced measures effectively closing its eastern border to ordinary travel with Poland, while sharply reversing the trend towards closer relations with West Germany.

A long-planned summit meeting between Mr. Helmut Schmidt, West Germany's Chancellor, and Mr. Erich Honecker, East Germany's leader, was called off.

Barely 10 days after the West German elections, the East German authorities announced swingeing increases in the amount of foreign currency which must be changed into non-transferable East German marks by foreign, mainly West German, visitors to East Germany and East Berlin.

The tone of East German propaganda switched into a violently anti-West German and anti-Western mood, paralleled by sharp cuts in all but economic exchanges.

Czechoslovakia likewise restricted travel with Poland and joined the anti-Western and anti-Polish propaganda.

The Soviet Union restarted jamming Russian language broadcasts from the BBC, *Deutschewelle* and the Voice of America, although it knew it would be criticised at the Helsinki review conference in Madrid.

There can be little doubt that Poland has been the subject of many an anguished debate within the Soviet leadership. So far the Soviet response has been cautious.

When Mr. Stanislaw Kania, Polish party leader, and Mr. Josef Pinkowski, the Prime Minister, made a hurried trip to Moscow they received the qualified backing of the Soviet leadership for their conciliatory course.

The Soviet Union stepped in with some $700m (£295m) of aid, although this was followed soon after by sharp criticism of the way Poland had allowed its foreign debt to climb to $21bn and accused the West of pouring millions of dollars into Poland to support "anti-socialist elements."

There can be no doubt of the Soviet desire to "normalise" Poland and restrict to the minimum the gains made by the independent trades unions. But the Soviet Union has to reckon with the realities of massive popular support for the new unions and the new "Polish road to socialism." This is circumscribing party powers leading to substantial pressure for party reform and increasing Parliament's role.

Poland is the Soviet Union's largest European ally. It has 36m inhabitants and a long tradition of fighting for its rights and national identity.

Soviet military intervention on the lines of that in East Germany in 1953, Hungary in 1956 and Czechoslovakia in 1968 would incur the risk of a tough and bloody fight.

Detente

This would put paid to any hopes of continuing detente with the West and saddle the Soviet Union with responsibility for Poland's debts, entailing massive economic support which the hard-pressed Soviet economy could ill afford.

The Soviet leadership has to take into account the possible *domestic implications* of an intervention which could well lead to substantial Soviet casualties and would certainly require even tighter economic and political controls over the Soviet population.

The possibility of such intervention cannot be excluded. But provided the situation in Poland remains calm and the party is able to govern effectively in co-operation with the new unions, it seems clear that the Soviets would be deeply reluctant to intervene directly.

Grudging acceptance of the Polish "heresy," in much the same way as Stalin and his successors had to come to terms with the "Yugoslav heresy," will be a bitter pill to swallow.

In the longer run, it could be argued that Afghanistan and Poland are providing the Soviet leadership with a valuable education in the limitations of force and the limits to superpower domination.

Allies waiting for Reagan to show his hand

THE U.S. AND EUROPE

DAVID BUCHAN

EUROPEAN leaders, who generally crave a modicum of consistency from their biggest ally, will have their fourth American President in seven years to deal with when Mr. Ronald Reagan takes office on January 20.

But he succeeds a man whom numerous Europeans have regarded as unpredictable and erratic during the past four years. Thus Allied hopes are high that the latest change in Washington will be for the better.

Certainly, Chancellor Helmut Schmidt, the only West European leader so far to have met the U.S. President-Elect, came away apparently reassured that there would be a "new decisiveness" in Washington which would not involve an unbridled arms race or ringing down the curtain totally on detente with the Soviet Union.

Mr. Reagan, for his part, has promised closer consultation with U.S. allies on the many matters of mutual concern. Not that President Carter by any means ignored the allies—but there is, for instance, a telling disparity between incessant ministerial meetings inside the European Community and the twice-yearly NATO meetings which the U.S. attends, plus the annual Western summits which still have primarily an economic focus.

Temper

A few stands of the Reagan foreign policy are already clear, and some will generally please the Europeans, like fewer American complaints about the nuclear proliferation dangers of their civil nuclear exports. But until Mr. Reagan has announced the full range of his appointments, the temper of his administration will not be evident, and Europeans will not know whether they want to follow where the new U.S. President is leading.

The biggest area of alliance uncertainty and anxiety is, inevitably, relations with the Soviet Union after its invasion a year ago of Afghanistan. U.S.-European views on this had already begun to diverge with President Carter around, and, to judge from Mr. Reagan's hawkish record and campaign rhetoric, the gulf may get wider. Only Russian aggression close to home — in Poland, for instance — might bring Europeans to share Mr. Reagan's stated views.

In the absence of a Russian invasion of Poland as a sorry unifier of the NATO alliance, however, Europeans must hope that Mr. Reagan will prove pragmatic enough to moderate his stand in office. There are already signs of a new transatlantic understanding on the future of strategic arms talks, whereby Mr. Reagan promises to continue SALT negotiations with the Russians, and the Europeans recognise that the SALT 2 treaty (which all, including the Thatcher Government, originally supported) is politically dead.

There is certainly an advantage in having a conservative President negotiate a revamped SALT 2 or a new SALT 3 accord with the Kremlin, which he can then sell to the U.S. Senate, under Republican control from next year, for ratification. This is what Senator Charles Percy, incoming chairman of the Foreign Relations Committee, was trying to impress upon President Brezhnev last month.

It was certainly no good President Carter getting an agreement which he could not then get ratified. But Europeans may grow restive if another SALT agreement is long in the making. For, despite his promise to keep on talking to Moscow, it may yet be that Mr. Reagan's deep-seated suspicion of the Russian leaders causes him to believe, at bottom, that any document to which they are ready to put their signature must be unfair to the U.S.

Tricky negotiations also lie ahead of the U.S. and its allies in the opening of talks about a mutual reduction of tactical nuclear arsenals in Europe with the Russians.

More immediate is the prospect of an argument between the new Reagan administration and the Europeans over defence spending, which NATO countries are formally supposed to keep increasing by a real 3 per cent a year.

European allies, whose defence budgets in the coming year will generally grow by less than the 3 per cent guideline, risk a clash with President Reagan, whose 1981-82 defence spending plans will probably call for a 7 per cent rise which will win full backing from the more conservative 97th Congress.

However effectively allies like Britain plead economic constraints on doing more, the new Republican administration and certainly Republican leaders on Capitol Hill may prove impatient of what they see as European backsliding on alliance commitments.

They might in fact force Europe to do more in its own defence—not by pulling U.S. troops back to the U.S. as former Senator Mike Mansfield was always trying to do in the early 1970s, but by diverting some Europe-based American forces to the Middle East. West Germany, for one, has said it would take up some of the slack in this instance.

Sanctions

A basic question to which Europeans will quickly want to know Mr. Reagan's answer is what he intends to do with the Carter-imposed grain and industrial sanctions on the Soviet Union. Concern about this was evident in that just about the first question Chancellor Schmidt brought up in his meeting with Mr. Reagan was to seek out the President-elect's views on the natural gas deal which Germany and other European countries are negotiating with the Soviet Union.

Mr. Reagan said he was not opposed to it in principle, but nor is the Carter administration which has even given one U.S. company, Caterpillar, permission to bid on the Siberian pipeline contract.

Mr. Reagan's broader view on sanctions is unclear. The impression he gave in his campaign was that he wanted to relax the grain embargo—falling to pieces anyway without Argentine or Canadian co-operation—and tighten the selective ban on industrial exports to the Soviet Union.

While it is hard to see Mr. Reagan being more forthcoming to Moscow than Mr. Carter was, the Europeans will probably not be happy until both types of sanctions are removed. Arguing the impact and the leverage of the U.S. sanctions, they have chafed under U.S. criticism that some European companies have undercut the sanctions by picking up contracts cancelled by U.S. companies.

Last year saw the beginnings of a rift between the U.S. and the Europeans on Middle East policy, with the European Community countries showing themselves impatient with total lack of participation by Palestinians in the Camp David negotiations for their autonomy with Israel, and calling for the involvement of all parties, even including the Palestine Liberation Organisation under certain circumstances.

Mr. Reagan will not be unhappy with their general criticism of the Camp David process, President Carter's handiwork. Indeed, he has hinted he would drop that approach and favours instead a Palestinian deal between Israel and Jordan. But he would have to eat a lot of words to deal with the PLO, which he has outrightly branded a terrorist organisation.

A change of tack by the U.S. on the Palestinian issue would, even if successful, take some time to produce results. The Europeans may find Mr. Reagan acting too slow, for their taste, in the Arab-Israeli dispute and too precipitately, for their liking, in injecting U.S. military power into the Persian Gulf region to protect the oilfields and routes.

Some European leader expressed concern that Mr. Carter was acting too hurriedly in putting together a U.S. rapid deployment force to go charging into so delicate a diplomatic china shop as the Gulf and the Arabian Peninsula. Mr. Reagan criticised Mr. Carter from the opposite tack: for making more commitments to oil states than the U.S. military could at present perform. Reagan aides are in fact now examining the possibility of permanent U.S. bases in the area.

Mr. Reagan inherits a difficult legacy on many political and defence issues with Europe from President Carter. But there was much positive—particularly on the economic side — that Mr. Carter did for U.S. relations with Europe.

Insatiable

European complaints that the U.S. had no energy policy and that its insatiable appetite for foreign oil imports was straining the world market and forcing prices up have been largely put to rest by Mr. Carter's de-control of U.S. oil prices, squeezing domestic consumption and encouraging U.S. production.

As the U.S. pulls out of recession, oil imports are on the rise again, but still below 1979 levels. If anything, Mr. Reagan is likely to accelerate de-control of U.S. oil prices.

Under Mr. Carter, the U.S. played a major part in the latest GATT negotiations freeing trade, and in the process re-wrote some of its laws on countervailing duties and subsidies to conform with European and international practice. A steel dispute last year, involving dumping accusations against European companies on billions of dollars of steel shipped to the U.S., was successfully contained. By and large, the U.S. record on free trade under Mr. Carter was first class, and there is every reason to suppose that Mr. Reagan, with his Friedmanite advisers, will keep it that way.

EUROPE IV

Recession points up industry's need for reappraisal

With European industry facing stiff foreign competition and the effects of recession, Geoffrey Owen discusses the strategy that must be followed for its survival, and on this and the following three pages, specialist correspondents review its sectors and profile five leading industrialists.

WORLD RECESSION has made the internal weaknesses of European industry more apparent and the need for improvements in efficiency more urgent.

Traditionally West Germany has been regarded by other European countries as a model to emulate; yet in the past year even the Germans have been made aware of their shortcomings, not only by the swing to deficit in the balance of payments but by the advance of the Japanese in several key sectors of their domestic market, notably cars. This had led to a closer investigation of Japanese methods and — despite some demands for protection—a determination to match Japanese standards of productivity.

This is how European industry ought to respond to the present trading environment. But whether governments will allow competitive pressures to work through remains to be seen.

Japan cannot be regarded as the cause of European industry's ills, but it is an important factor in several industries. Apart from cars and consumer electronics, the Japanese are pushing hard in a wider range of products; their advance in machine tools has been spectacular and there is an ominous look about the thrust just begining in computers and micro-electronics. But Japan is not the only threat.

Until recently the Americans had not been taken too seriously as exporters except in a few sectors such as aerospace. But in the past year low-priced exports of U.S. chemicals, fibres and textiles have caused concern in Europe. To the extent that the prices reflect artificially low feedstock costs, the Europeans have cause to feel aggrieved. But this is only part of the story. The U.S. also has advantages in productivity, stemming from economies of scale and manufacturing efficiency.

Competition from Japan, the U.S. and the so-called "new industrial countries" compounds the adjustment problems of European manufacturers as they seek to come to terms with slower economic growth and high energy prices. So far the reaction to these conditions contains some positive and some negative elements.

On the positive side there is a recognition by companies that they should concentrate resources and management effort on activities where they have a reasonable chance of remaining profitable and internationally competitive. Branches which cannot meet those criteria should be sold off or closed down. Many of the factory closures which have taken place in the UK over the past year fall into this pattern, even though they have been precipitated by the recession and the strength of the pound: GKN is a notable example.

In France, there have been moves to restructure certain industries, notably chemicals, to achieve the benefits of specialisation and economies of scale. Rhone-Poulenc, for example, has hived off its interests in basic petrochemicals in order to concentrate on fibres and pharmaceuticals.

Specialists

A second theme is the switch away from commodity-type products to products of higher added value. In the British paper industry, for instance, it is increasingly difficult for non-integrated mills (that is, those that do not produce pulp and paper in an integrated operation) to compete against their Nordic and North American companies in standard grades produced in high volume; they can only survive as specialists, producing grades which are not economic for large integrated mills.

While the paper industry is a special case because of the importance of indigenous forest resources, producers of steel, chemicals and some other basic materials face a similar dilemma. The likely price and availability of raw materials may be insufficient to justify continued investment in the manufacture of commodity products where other countries, because of cheap local raw materials, have a comparative advantage.

Within the steel industry companies are trying to expand their stake in special high-alloy grades. In chemicals there is increasing interest in pharmaceuticals, genetic engineering and other research intensive branches of the industry. Bayer and other big German companies are already well advanced along this path.

This kind of adjustment presents formidable practical difficulties. A company whose traditional strength is as a bulk producer of commodity items cannot suddenly acquire the culture and skills of specialised research - intensive business. While it is easy to see the rationale for the recent moves into the electronics industry by the French group, St. Gobain-Pont-a-Mousson, it may have difficulty establishing itself in fields where it has little previous experience.

No doubt many mistakes will be made in the drive for high technology. No doubt, too, some European producers of commodity items—such as basic steel—will be able to achieve a profitable future, so long as their costs are internationally competitive; proximity to a very large consuming market is an advantage which they must exploit to the full. Thus, while there will be a general drift towards more "knowledge-intensive" industries, there will be many different routes to corporate survival.

Adjustment is not simply a matter of corporate strategy. National governments and to some extent the European Commission wish to influence the form which adjustment takes. Intervention by governments normally takes one of two forms—either to slow down the rate of adjustment in declining sectors or to direct and accelerate the rate of change in what are thought to be the growth industries of the future.

Capacity

Most of these interventions are conceived and implemented on a national basis. In steel, chemicals, pulp and paper, shipbuilding, textiles and several other sectors subsidies have kept companies and factories alive. The result has been to maintain too much capacity in existence and to distort the competitive process.

In electronics, computers and telecommunications national governments, especially in France and the UK, have sought to nurture national champions and to protect them from overseas invaders. Thus in important parts of industry Europe still consists of segmented national markets, depriving manufacturers of the economies of scale which their rivals in the U.S. enjoy.

At a time of deepening recession European governments are reluctant to expose their industries to new sources of competition from within Europe. Yet so long as adjustment is thought of in primarily national terms, Europe will be at a disadvantage compared to Japan and the U.S. To the extent that an industrial policy exists in the EEC, its apparent aim is to reduce competition, as in steel; attempts by the Commission to curb national subsidies or to open up national markets are resisted. A more positive, market-orientated industrial policy would assist the adjustment process, as well as contributing to the goal of European unity.

National monopolies continue to impose different standards

COMMUNICATIONS

GUY DE JONQUIERES

ONE OF the outstanding achievements of communications technology has been its ability to break down national barriers more effectively than Napoleon's imperial expansionism, the collective deliberations of the United Nations or East-West detente policies.

Not only has the technology brought people all over the world closer together by enabling them to talk by telephone or to see each other on television; but its universal availability has meant that it has spread rapidly across the globe, defying man-made boundaries.

Yet only 12 years after hundreds of millions of people watched the first moon landing simultaneously on television, many European countries continue to pursue telecommunications policies that seem more appropriate to the era of nation states than to the "global village" described by Professor Marshall Macluhan.

In most European countries, responsibility for telecommunications policy is exercised in the form of a monopoly conferred on the state telecommunications authority (PTT). The extent of the monopoly varies, but in every instance it embraces the basic telephone network and the right to grant access to it. In many countries, PTTs also have exclusive authority to supply and maintain the terminal apparatus that is attached to the network.

The justification for this state of affairs is that the telecommunications service is of such vital importance that it must be kept under public control. Only in this way, it is argued, can a uniform standard of service and charges be guaranteed to subscribers living anywhere in the country.

But in spite of efforts by the PTTs to co-ordinate their policies internationally, the existence of national monopolies has led to a fragmentation of Europe's telecommunications system. Widely differing technical specifications have meant that equipment designed for use in one country is not suitable for others, and that some PTT's offer services to their subscribers that are not available in neighbouring countries.

Indeed one suspects that responsibility for building Europe's railway network had been given to the PTTs, essential specifications such as track widths and electrification methods would differ so widely that international travellers would still have to change trains every time they reached a frontier post.

In Britain, for example, the Post Office has long insisted that telephones and other terminal equipment be designed to "battleship" specifications which have not only added to their cost but have also severely restricted their export potential. Though the Post Office's suppliers have grumbled about this practice, it has, however, guaranteed them virtually watertight protection of their home market.

In West Germany, which likes to portray itself as a bastion of free enterprise, the Bundespost (Federal Post Office) is no less protectionist. In some ways, it is even more so. It has, for example, stated publicly that it will only consider buying central switching equipment that is made in Germany, thus limiting eligible suppliers to a handful of companies.

Tele-boutiques

In France, the PTT's monopoly over the supply of terminal apparatus has been liberalised, so that subscribers can now legally buy a wide range of telephones off the shelf at "tele-boutiques." But foreign companies seeking to export receivers to France have found that somehow, it is usually only French-manufactured equipment that finds its way into the shops.

Recently, though, there have been signs that the PTT's cast-iron grip may be starting to crack. In Britain, the Government plans to relax the Post Office's monopoly over supplies of apparatus and is examining the possibility of opening up the network to private operators providing specialised communications services.

Telecommunications users' groups have complained that the proposed legislation does not go far enough. They believe that it will still leave the Post Office's telecommunications arm, British Telecom, with too much power to restrict services. But the Government's move represents nonetheless something of a milestone in official policy.

Britain's plans have also been hailed by the European Commission in Brussels, which hopes that they will add political momentum to its own proposals for a series of measures intended to open up EEC markets for telecommunications equipment to freer competition.

The Commission believes that it has won the support of the PTTs for a proposal which would require EEC authorities to allow suppliers in other member countries to bid for up to 10 per cent of telecommunications equipment orders.

Brussels is also seeking approval for a plan to standardise many of the technical specifications for apparatus throughout the Community and to create a free market in terminal equipment. The latter plan is in danger of becoming bogged down, however, by disagreements over the types of terminal which should be included, with Germany taking a particularly restrictive attitude.

But while member governments seem somewhat readier than in the past to consider proposals to open up their home markets to other European suppliers, their compliance may reflect more of a shift in their definition of national self-interest rather than a spontaneous outburst of internationalist altruism.

Within the past few years, many European governments have become increasingly aware of the vast potential market for products and services based on the fusion of computers and communications technology. This area of innovation, known in France as "télématique" and in Britain as "information technology," was estimated recently to account for worldwide business worth £50bn a year.

France was among the first European countries to identify the opportunities available and has moved decisively to exploit them. The government is spending massive sums to expand and modernise the national telecommunications system and to introduce many novel and technologically advanced services.

One of the best publicised is its plan to replace printed telephone directories with simple computer terminals to be distributed free of charge to every subscriber. The terminals, consisting of a keyboard and display screen, will enable subscribers to look up telephone numbers stored in a central computer.

The French Government, like others in Europe, sees its ambitious telecommunications programme not only as an important stimulus to the country's internal economic development but also as the springboard from which to launch a dynamic and world competitive national export industry.

The prospects for such an export strategy will, however, depend critically on a degree of reciprocity in trade. That may explain why several EEC governments are taking a rather more open-minded attitude towards the idea of relaxing PTT's policies on procurement and technical specifications.

Dominance

For many advanced types of information technology products, an almost equally important condition of success will be the extent to which they are adopted as an international standard in their field. Many European governments and companies have observed enviously how IBM's world dominance in computers is due to its ability to impose its technical standards on the market.

One manifestation of this phenomenon is the bitter rivalry between Britain and France in the world market for viewdata and teletext systems, which allow computerised data to be displayed on television screens. Both countries claim a world lead for their system and have been slugging it out on export markets, particularly in the U.S. Each has also been refused the right on at least one occasion to demonstrate its system on the other's soil.

It might seem a rational move for two neighbouring countries, each with similar types of technology, to join forces and exploit the world market together rather than expend so much energy battling one another. Perhaps, eventually, they will. But European governments' restrictive attitudes towards their home telecommunications markets in the past does not give rise to much optimism that they will take a more enlightened approach towards the international markets of the future.

Too much steel being made for too small a market

STEEL

ALAN PIKE

THE WORD crisis has been used so frequently to describe the problems of the European steel industry that it has lost much of its impact—though little of its accuracy.

Crisis is now part of the official vocabulary. In November, after declaring a manifest crisis in the industry, the EEC Commission introduced mandatory production controls under Article 58 of the Treaty of Paris. The crisis had manifested itself in a collapse of the three-year-old voluntary structure introduced by Viscount Etienne Davignon, the Industry Commissioner, to maintain price and production stability in the European steel market.

Under the compulsory controls, which can last until the middle of this year, output for the last quarter of 1980 is being cut back 14.2 per cent from the level of the corresponding period of 1979. This year's controls are being calculated on the performance of companies during a reference period based upon the highest 12-month performance during the last three years—but the Commission is communicating precise quota allocations to individual steelmakers in confidence.

The mandatory production controls were introduced in the face of strong resistance from the West German steel industry and its Government. Even those steelmakers—like the British and French—who saw no alternative to a phase of mandatory control look forward to a return to a system of voluntary, self-regulation in the European industry at the earliest possible date. It is certain that Eurofer, the club representing most EEC steelmakers, will be actively attempting to produce an agreed strategy to achieve this in the coming months.

While the use of Article 58 may stem the worst excesses of price-cutting which broke out in the industry during the spring and summer, and introduce an element of vitally needed stability, the industry has still to face the central problem of too much steelmaking capacity competing in a severely diminished market.

This is recognised by the European Coal and Steel Community, which is anxious that member States should stop subsidising uneconomic steelmaking operations or adding unnecessary new capacity to the market. West German steelmakers have been particularly vocal in their hostility to the large government subsidies provided to the steel industry in other parts of the EEC—although this provokes counter-allegations that the Germans benefit from disguised support in areas like coking coal and transport costs.

Production drop

The original Davignon controls were conceived as a means of supporting the European steel industry while it restructured itself. But the steelmakers have been slow to cut capacity, and the effects of this have been exacerbated by the recession. The International Iron and Steel Institute expects that steel production in the EEC will this year be 4.6 per cent down on 1979, and a further 4.6 per cent drop is in prospect for this year.

In some countries, like Britain, the decline has been far more dramatic than these figures for the whole of the EEC suggest. As a result the British Steel Corporation (BSC) is in danger of having to make still further cuts in capacity and manpower, even though it has borne the brunt of recent retrenchment in the European steel industry. The corporation had last year been scaling production down to 15m liquid tonnes per year and as a result has been forced to make more than 50,000 of its workforce redundant. But the current state of steel orders in Britain does not easily justify continuing production at even this reduced level.

Firm decisions on the future size and structure of BSC will be made by the UK Government early this year now that it has received a new corporate plan from Mr. Ian MacGregor, the corporation's chairman. The Government has said that it will consult the EEC Commission before coming to final conclusions.

Components supplied from outside

ELECTRONICS

GUY DE JONQUIERES

IF ELECTRONIC technology is the "crude oil" of future economic growth, as a leading American semiconductor manufacturer claimed recently, then Europe would appear to face a new form of energy problem over the next few years. For it remains heavily dependent on outside sources for its supplies of electronic components and for many of the more sophisticated products in which they are used.

According to one recent study by Dataquest, a U.S. market research company, Europe used about $3bn worth of semiconductors in 1979, roughly a quarter of total world consumption. Yet output by European companies amounted to a mere $1bn.

In integrated circuits or "microchips," tiny slivers of silicon containing tens of thousands of logic functions, the shortfall is even more marked. These devices make up the fastest-growing and most glamorous section of the market. Yet European manufacturers' sales were less than $500m, while purchases by European users amounted to $1.6bn.

Important

What are the prospects for correcting this imbalance, and does it really matter anyway? The European Commission, which has been urging Community Governments to join forces in a concerted strategy for several years, believes that it is important.

Viscount Etienne Davignon, the EC Industry Commissioner, warned recently that unless joint action was taken now, the EEC would slip ever further behind the U.S. and Japan and would suffer severe penalties to its economic and industrial development in future years.

The Commission wants EEC Governments to agree to spend £60m over four years on a series of joint initiatives — a mere fraction of the total support which they are now giving individually to national programmes. It wants them to embark on common research and development projects and to co-ordinate their national policies to ensure that their efforts are not needlessly duplicated.

But so far, Governments have paid little heed to the Commission's exhortations. Those that can afford to undertake the investments needed to build up a significant presence in "standard" chips — identical components which are mass-produced in tens of millions — are doing so along unashamedly nationalistic lines.

Britain has already persuaded half-a-dozen big American semiconductor companies to set up local manufacturing facilities by offering them handsome subsidies, thereby assuring itself of sizeable indigenous production. Recently, Nippon Electric (NEC), became the first big Japanese chip-maker to decide to set up a plant in the UK.

Britain also has its own state-backed entry in the field, Inmos, set up by the last government some three years ago. Relying initially on the work of a U.S. design team, Inmos is gambling on the hope that it will be able to bring two new components to market quickly enough to cash in on world demand before its established competitors have acquired a dominant position.

In France, the Government is also relying on American technology to get its standard chip production plans off the ground. But it has adopted a different approach: U.S. companies are being encouraged to set up joint ventures with French partners, supplying technological expertise while the French put up the money and retain control.

Dr. Friedrich Baur, head of the semiconductor group at Siemens, the giant German company that is Europe's second biggest producer of electronics components, believes that the only successful approach to the mass-production of "standard" chips is to aim at the world market from the very beginning.

Only the world market can provide a big enough outlet for the vast production volume needed to achieve economies of scale that will enable components to be sold profitably for a few dollars each. Moreover, many of the most exacting and sophisticated users, whose requirements stimulate advances in chip design, are to be found outside Europe in the U.S. or Japan.

Like Philips of the Netherlands, Europe's biggest semiconductor manufacturer, Siemens needs a lot of standard chips to put into its own products, such as computers, telecommunications equipment and consumer electronics products. But few other European companies enjoy such big in-house demand, which gives Philips and Siemens a stable platform from which to leap into world markets.

With so many non-European companies vying for the European market and setting up local production facilities, the risks of a future cut in supplies seem less serious than a few years ago. Some European companies, notably General Electric Company (GEC) now think that they would do better to stay out of standard chips altogether.

In the lead

They argue that there is a much more promising opportunity to supply so-called "custom" chips, designed for specified applications and made in relatively small quantities. As many types of electronics equipment become more complex and specialised, demand for "custom" chips is growing, for example, in defence and telecommunications.

Europe has an edge in this area, too. Though "custom" chips are considerably more expensive than standard integrated circuits, production volumes are too small to interest most of the big U.S. and Japanese manufacturers, who think in terms of making tens of millions of components a year.

Another approach, successfully explored by Ferranti of the UK, is the "uncommitted logic array." This is claimed to give the best of both worlds, because it consists of a chip containing a standard circuit design which can be modified to suit a particular customer's requirements. Though costlier than a standard chip, it is much cheaper than having a custom component made to order.

As preoccupying as Europe's shortfall in output of bare components is its heavy dependence on outside supplies of many types of assembled electronic products and, in particular, of computer equipment. In this field it remains heavily reliant on U.S. manufacturers and notably on International Business Machines, which accounts for about half the larger computers installed in the EEC, measured by value.

Indeed, Britain is the only European country with an indigenous computer manufacturer, ICL, which has a bigger share of its home market than IBM and which can genuinely claim to compete internationally. In France, CII-Honeywell Bull, the major indigenous manufacturer, has barely half of IBM's market share. Nor can it claim to be a truly French contender since 47 per cent of its shares are owned by Honeywell of the U.S.

Dependent

Europe's dependence on external suppliers is even greater than appears at first sight because many of its indigenous manufacturers purchase the components which go into their machines from American companies. This is specially true of the so-called OEMs (original equipment manufacturers), who purchase supplies abroad, fit them together, encase them in a box and sell them under their own name as a word-processor or a microcomputer.

It is tempting to conclude that the Europeans have been so concerned with their own national markets that they have left the Americans free to reap the benefits of the much bigger Common Market for computers. Big U.S. companies like IBM have manufacturing and marketing operations scattered throughout the EEC and spend much time and money trying to portray themselves as corporate citizens of the countries in which they do business.

The European Commission believes that one way to encourage EEC manufacturers to exploit the Common Market more fully is to open up public procurement procedures. Government purchases account for a big part of computer sales, and from this year each will have to offer equal treatment to manufacturers based in other EEC countries when putting contracts out to tender.

But this move may not produce the results hoped for by the Commission. This is because GATT rules also require EEC governments from this year to cease discriminating against non-European companies, including American ones, in the bidding for major computer orders.

Saint-Gobain: Roger Fauroux

M. ROGER FAUROUX, the new 54-year-old chairman of Saint-Gobain-Pont-a-Mousson, has marked his emergence at the top of the company with a flurry of deals radically altering the character of its business. He believes that Saint-Gobain, firmly rooted in such traditional sectors as glass, insulation and iron piping, must find new growth areas. The result has been a series of investments in the electronics industry.

The most dramatic of these acquisitions has created a part-European industrial unit by linking Saint-Gobain with Olivetti, the Italian office machinery concern. The deal gives the French company about 20 per cent of Olivetti and creates the opportunity for joint activities with the interests Saint Gobain recently bought in Cii-Honeywell-Bull, the Franco-American computer group. Fauroux makes no secret of the fact that he would now like to buy a telecommunications company to give these newly acquired electronics activities a complete range of products.

These acquisitions, which have been balanced by several divestments of unprofitable or marginal sectors, show the expansionist side of current French management. Saint-Gobain is already a big-multinational, with 20 per cent of its activities in West Germany. But Fauroux, a product of the celebrated ENA civil service training college, belongs to the school of thought which believes that French industry must learn to compete more effectively in the high technology sectors dominated by the Americans and Japanese.

Terry Dodsworth

Philips: Nico Rodenburg

PHILIPS, the main European producer of consumer electrical goods and the flagship of Dutch industry, is a company under pressure. High production costs in Europe, tough competition from the Far East and the growing pace of technological advance are forcing painful changes.

The man who is heading Philips in these difficult times is Mr. Nico Rodenburg. Now 61 he has spent nearly 30 years with the company, moving up through the telecommunications division to become group chairman in 1977. He is the first chairman of the Fl 33bn ($16bn) company not to come from the ranks of the founding Philips family.

Philips believes its advanced research is its trump card. It is the major non-Japanese entrant in the market for sophisticated video equipment—the video disc and the video cassette. Fittingly for the company which owes its existence to the light bulb it recently launched a revolutionary low-energy bulb. Its telecommunications activities are doing well and it hopes soon to sign a third major order to expand the telephone network in Saudi Arabia. Following the Unidata debacle in the early 1970s Philips data systems operations recently began making profits.

It has been actively reorganising its empire to meet the changed conditions. Television manufacturing capacity is being trimmed, unsuitable operations such as pharmaceuticals sold off and new acquisitions made in the audio and data processing fields.

Philips is convinced that electronics will remain one of the fast-growing areas of industry over the next few years and believes it is well placed to meet the increasing demand for products requiring the integration of several operating disciplines.

Charles Batchelor

Recession strikes with sudden ferocity

CHEMICALS

SUE CAMERON

EUROPEAN CHEMICAL producers had what can only be described as a terrible year during 1980.

The contrast with 1979 is great. Despite the Iranian revolution and the crisis in the world's oil markets, most chemical companies found themselves in excellent shape by the end of last year. Crude prices had soared as had both spot and contract prices for naphtha—the oil-based raw material that is vital for making petrochemicals.

But companies had managed to push up their own product prices on the back of their rising raw material costs. Fears of shortages and of yet further chemical price rises encouraged customers to stock up enabling companies like the three German-based chemical giants, Hoechst, BASF and Bayer, to report bumper profits for 1979.

Prices and demand for chemicals held up throughout the first three months of 1980. But, as the UK-based Imperial Chemical Industries put it: "At the end of the first quarter, we all fell over the cliff."

The long-awaited recession in the West struck Europe's chemical producers with sudden ferocity. Demand slumped by up to 40 per cent and by an average of around 20 per cent. The worst affected businesses were fibres, petrochemicals and plastics. By the summer the majority of bulk chemical producers were admitting that they were not making any profit.

The European Council of Chemical Manufacturers' Federations—CEFIC—claimed that an already bad position was being made worse by an influx of cut-price chemicals from the U.S. It said that U.S. producers had an unfair advantage over their European rivals because the American Government was holding down oil and gas prices to below world levels.

Dumping

The U.S. Government has no plans to decontrol oil prices until late 1981 and gas prices until 1985. The majority of U.S. petrochemical production is based on gas rather than naphtha as a feedstock—and gas is a more economic raw material.

U.S. chemical companies, hit by recession themselves, were therefore in a strong position to export at low prices to Europe. CEFIC estimated the U.S. cost advantage at around 15 per cent. But it also produced evidence that U.S. producers were actually dumping some products—notably vinyl acetate monomer, styrene, phenol and the xylenes.

The European Commission was persuaded to start anti-dumping investigations against the U.S. and these have led to provisional anti-dumping duties being imposed on some chemical products from the U.S.

Although the Commission moved swiftly, the damage to European chemical prices had already been done. Weak prices also stayed low because customers were able to draw on the high stocks of chemicals they had earlier built up. De-stocking by customers—or, at least, the worst of it—appeared to be ending during the last two months of 1980. But Europe's chemical producers see little prospect of any real improvement in trading conditions until the spring at the earliest.

The most fortunate chemical companies are those with high added value speciality businesses such as pharmaceuticals and agrochemicals. These areas have maintained their profitability and, in the case of some broad-based groups, have helped offset losses at the bulk end of the business.

1980 saw the French-based Rhone-Poulenc virtually pulling out of petrochemicals production entirely in order to concentrate on its more stable—and profitable — speciality operations. There is already a clearly pronounced trend for other chemical companies to place greater emphasis on such areas as drugs and other speciality products. The disasters of 1980 are likely to encourage this still further.

United front still a long way off

AEROSPACE

MICHAEL DONNE

GKN: Trevor Holdsworth

IF RATIONALISATION and restructuring have been central themes throughout European industry during 1980, the pressures have been most acute in the UK. The combination of deep recession and an over-valued pound have forced companies to identify their strengths and to take some harsh decisions about their weaker activities. Trevor Holdsworth, chairman of GKN since the start of 1980, has been seeking to adapt Britain's biggest engineering business to the changed conditions.

Once described as a programme to outwit the decline of British industry, the strategy involves expansion outside the UK (especially in North America), additional investment in growth sectors (such as automotive parts distribution) and a continuing shift towards products of higher technology; the Hardy Spicer constant velocity joint, in strong demand for small front-wheel drive cars, is an outstanding example of the kind of products GKN needs more of.

In the meantime, GKN has had to lay off several thousand workers in the UK in the face of falling demand, profits on UK business have virtually disappeared and the dividend has been cut. Yet the recession does create the opportunity for getting to grips with deep-seated productivity problems. The hope is that GKN, like the rest of British industry, will emerge better equipped to compete in its chosen sectors.

Geoffrey Owen.

ALTHOUGH THE European aerospace manufacturing industry is currently dominated by several major internationally-collaborative ventures, both civil and military, such as the Airbus and the Tornado multi-role combat aircraft, it is still very much fragmented and still has a long way to go before the concept of a united industry can be achieved.

This is not to denigrate the achievements to date, which undoubtedly have been substantial. In the Airbus Industrie consortium, which brings together the national industries of Britain, France, Holland, Spain and West Germany on the A-300 and A-310 airliner programmes, a concept of collaboration has been forged that has already demonstrated its ability by substantially beating the biggest transport builder in the world, Boeing, in many world markets.

To date, Airbus sales amount to 449 aircraft, of which 292 are firm and 157 are options. Of these, 305 are of the bigger 250-seat A-300 itself, and 144 are of the smaller 210-seat A-310. Deliveries so far amount to 113 aircraft.

In common with other airliner manufacturers worldwide, Airbus Industrie has suffered in recent months from the slacker inflow of new orders stemming from the airlines' reluctance to buy at a time of recession.

But, in common with other makers, Airbus Industrie remains sufficiently confident of the longer-term future to be actively thinking of new variants of the Airbus with which to meet the continuing competition from the U.S. in the mid- to late-1980s.

These include a bigger variant of the A-300, the Series 600 model, and possibly an even larger "stretched" version that would seat up to 350 passengers or more, while at the smaller end of the scale Airbus Industrie is thinking of at least two possible models in the 130-160 seater category—the "Single Aisle" series—with which to compete with not only the existing Boeing 757 but also anything else that might emerge from the U.S. in the shape of a bigger Boeing 737, or the projected McDonnell Douglas DC-XX advanced technology short-to-medium range transport.

At present, Airbus Industrie has launched only the Series 600 aircraft, and has not made up its mind on which of the other programmes to devote its resources—it may decide to undertake more than one, while still concentrating on the A-300 and A-310. But it is clear that to undertake additional programmes, at a time when substantial cash, manpower and capacity are still being committed to the expansion of production of existing Airbuses to meet contractual commitments, will require an act of commercial courage—and one of political and financial courage on the part of Governments who will probably have to put up a substantial slice of the money involved.

Upsurge

Moreover, these new commitments most likely will have to be entered into at a time of deep recession, when orders for existing aircraft are few, and when no clear ending of the recession is in sight.

But few doubt that such an end will come, and with it an upsurge in demand for new, advanced technology airliners to carry the airlines into a new era of expansion in the mid to late 1980s and beyond.

On the military side, substantial production progress is now being made on massive international Tornado programme which brings together the military potential of the UK, West German and Italian aerospace industries. The programme envisages more than 800 of these aircraft being built through the 1980s, making it the biggest single military aircraft programme undertaken on this side of the Atlantic in peacetime. The aircraft has performed well in its trials and early results from the RAF indicate a high degree of satisfaction with it.

But outside these two programmes, the European aerospace industry remains very much divided. On the civil side, there is very little meeting of minds on the other major new civil airliner programme for the future, the 130-plus seater, with Fokker of Holland interested in going ahead with its own F-29 design, possibly in collaboration with Japan, while Airbus Industrie is more interested in its own SA-series of small, narrow-bodied jets.

In the military field the possibility of finding a new, small multi-role "European Combat Aircraft" that could effectively replace all the existing Harrier jump-jet fighters and Jaguar jet strike-trainers in the RAF, the Jaguars in the French Air Force and the Phantoms in the Luftwaffe in the late 1980s and early 1990s with one common design, appears to have become stalled, because of differing replacement time-scales, design ideas and financial situations in the countries concerned.

Similarly, in other areas of military aircraft development, such as helicopters, there are really few signs of effective international collaboration.

The UK industry, in the shape of Westland Helicopters, and that of Italy, through Agusta, have agreed to collaborate on a new large helicopter to replace the Sea King, and they have set up a new joint company, EH Industries, to develop the EH-101 design for this purpose.

Hard-won

But so far neither the French nor West German industries appear to have shown much enthusiasm for this venture, and are proceeding their own ways.

That collaboration can succeed is evidenced by the Airbus and Tornado, the Anglo-French helicopter package (Gazelle, Puma and Lynx), Concorde and a variety of engine and missile programmes, such as the RB-199, Olympus 593 and Martel. But as many of the companies in the national industries will confirm, each past success was hard-won, while trying to establish new programmes is still very much an uphill struggle in every single case.

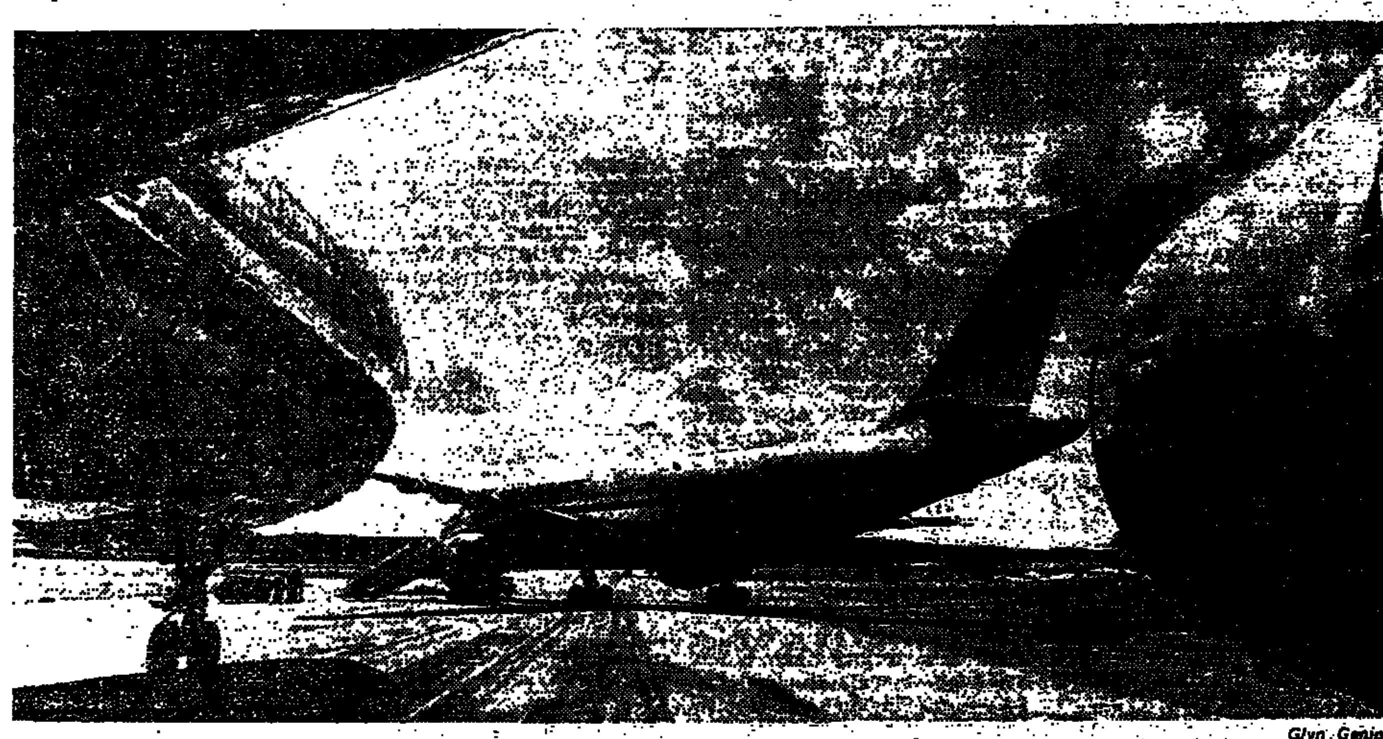
It is equally evident, however, that despite such difficulties, efforts to achieve new collaborative ventures should not be abandoned. In the civil field, it is manifestly clear that no single country or aerospace industry in Western Europe has the resources by itself to build an airliner in the short-to-medium range field that can begin to compete with the Boeing 757 or the Boeing 737-300.

If Europe cannot achieve a united programme in this field, it will be surrendering it forever to the might of the U.S. industry, which already dominates other major areas of civil aerospace, such as the wide-bodied jets (747 jumbo, DC-10 and Tri-Star).

In the military field, failure to achieve some kind of common ground on a new European Combat Aircraft is not likely to result in individual countries building their own aircraft to meet their varying needs—no single country has the resources to commit to such a programme.

In each case, civil and military, the most likely result of inability to agree on international collaboration in Western Europe is an eventual purchase of U.S. equipment.

That fact alone ought to encourage the national industries of Western Europe to sink their differences and try to achieve common ground on the major programmes needed for the future.



Glyn Genin

Airbus Industrie's 250-seat A300, which is selling better than Boeings in many world markets

Bayer: Herbert Grunewald

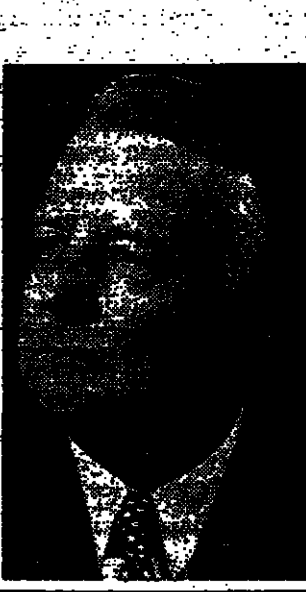
HERBERT GRUNEWALD, chairman of Bayer (one of the "big three" West German chemicals groups, along with Hoechst and BASF), is a trained chemist who started late in industry. After nine years of war service and imprisonment he returned from a Russian prisoner-of-war camp in 1949 and completed his doctorate in 1956.

Dr. Grünewald's subsequent rise through the Bayer ranks was rapid. He was appointed to the Board in 1968 with responsibility for personnel and social affairs. In 1970 he became co-ordinator of corporate planning and was made chairman in 1974 at the age of 53.

The pre-war IG Farben giant, Bayer, under the chairmanship of Herbert Grünewald has been the most striking example of the West German strategy to move from commodity to specialist chemicals, where research-based superiority can give a vital edge over rivals in world markets.

In the 1970s a succession of major new drugs from Bayer has helped to boost pharmaceutical sales to nearly 18 per cent of the group's turnover (excluding the major subsidiaries Agfa-Gevaert and Metzeler) in 1979 compared with 11 per cent in 1970. In the same period agrichemicals sales have jumped from 12.8 per cent to nearly 15 per cent of turnover, while the troubled fibres activities have been cut back from 10 to 4 per cent.

While Bayer's rival Hoechst chose to rely on drugs and research developed in Germany to win it a share of the U.S. market, Herbert Grünewald moved much more aggressively. In 1974 the group took over Cutter Laboratories in California for $50m and followed this up in 1978 with the $251m takeover of Miles Laboratories. With the expansion abroad, Bayer now derives no less than 72 per cent of its turnover from foreign markets through export and local manufacture.



Kevin Done

Next decade may prove prophets of doom to be correct

SHIPBUILDING

WILLIAM HALL

"Unless something is done about the Japanese, there is a good chance that European shipbuilding will be extinct in five years' time."—Mr. Robert Atkinson, chairman, British Shipbuilders, October, 1980.

IF ANYTHING, the deep-seated crisis in Europe's shipbuilding industry is getting worse rather than better. Prophesies that the merchant shipbuilding industries of a number of major European countries could disappear over the coming decade may well come true.

The European industry is already a shadow of its former self and the latest statistics, which cover a period when world shipbuilding orders have been rising, indicate that Europe's shipyards have continued to lose market share.

A comparison of the top five shipbuilders in the world 10 years ago and today, underlines the scale of the relative decline of Europe's shipbuilding industry. In 1970 four out of the top five shipbuilders were European—Sweden, UK, France and West Germany. Today their places have been taken by Korea, Brazil, Spain and Poland. *The only common denominator* is Japan, which retains its world leadership.

The latest statistics from the Organisation for Economic Co-operation and Development (OECD) show that the size of the shipbuilding orderbook of the European Economic Community (EEC) fell marginally from 4.72m compensated gross registered tonnes (c.grt) at the end of 1979 to 4.68m c.grt in the third quarter of 1980.

Over the same period, Japanese shipyards increased their order books by a third to 6.63m c.grt. In terms of new orders, Japanese shipyards won 5.32m c.grt. of new work in the first nine months of 1980 compared with the EEC's 1.56m c.grt. In terms of new export orders, the gap between the EEC and Japan is even more marked. EEC shipyards won 0.37m c.grt. of new export orders in the first nine months *compared with the 3.47m c.grt* won by Japanese shipyards.

Curbs sought

The major loss in market share of the European shipbuilders has made them focus their attention on curbing the growth of the Japanese shipyards. Many European shipbuilders believe that the Japanese have been breaking their undertaking to cut back on capacity.

In its recent annual report, British Shipbuilders noted that "despite earlier forecasts by the Japense Shipping and Shipbuilding Rationalisation Council that Japanese shipbuilders would reduce output from 8.1m c.grt in 1976 to 2.7m c.grt. in 1979 actual output in 1979 was 4.95m c.grt."

Mr. Atkinson, British Shipbuilders' chairman said recently that "we have a powerful, determined and ruthless competitor in the Japanese, who will go his own way to suit his own ends." British Shipbuilders is pressing for action at a Community level for something to be done about the Japanese.

However, while the Japanese are formidable competition for Europe's shipyards, the main threat these days comes from other emerging shipbuilding nations. Korea, Brazil, Poland and Spain have all proved that there is no magic about shipbuilding. All of these countries have established themselves as major forces in the world shipbuilding industry in a relatively short space of time.

South Korea, in particular, is the sort of country that throws into question the possibility for a competitive European shipbuilding industry. The new shipbuilding complex being built on Koje Island by Daewoo Shipbuilding will have the biggest shipbuilding dock in the world. Even before the yard is completed, it has put together an order book which includes everything from semi-submersible drilling rigs to product tankers.

Against this sort of competition, it is hard to see how Europe's shipyards can continue to compete without heavy subsidies. One or two countries such as Finland, which has built up an enviable reputation for specialist vessels such as cruise liners, have a long-term future. However, large sections of Europe's shipbuilding industry are most vulnerable.

So far the EEC has made little progress in formulating a coherent shipbuilding policy. Efforts to introduce a "scrap and build" scheme appear to have run out of momentum. The Community's Fourth Directive on aid to shipbuilding expired at the end of last year. A fifth directive is in the pipeline but it does not contain any revolutionary initiatives to stem the decline of Europe's shipbuilding industry.

Given that European shipyards are generally more costly and less efficient than their competitors, a decision has to be made at some stage on whether there is a strategic need for a merchant shipbuilding industry in Europe.

THE TOP FIVE SHIPBUILDERS

1970*	ml. GRT	1980**	ml. GRT
Japan	22.6	Japan	12[illegible]
Sweden	5.8	Korea	22
UK	5.1	Brazil	2[illegible]
France	4.9	Spain	20
West Germany	4.3	Poland	16
World total	64.5	World total	330

* First quarter 1970. ** Third quarter 1980.

Source: Lloyd's Register of Shipping.

The Volkswagen Golf—Europe's best-selling car last year

EEC draws up future policy

MOTOR INDUSTRY

KENNETH GOODING

THERE IS as yet no European motor industry. What we have is a relatively large number of companies which still concentrate mainly on "national" objectives such as providing a full range of cars for their national markets. And they hammer away at each other in the search for export business and the balance-of-trade benefits that brings with it.

Five manufacturers based in Europe — Peugeot SA (the Peugeot-Citroen-Talbot combine) and Renault of France; Fiat of Italy; BL of the UK; and Volkswagen of West Germany—each have a wide range of mass-produced vehicles.

There is also a fair selection of sizable specialists like BMW and Daimler-Benz (the Mercedes makers) in Germany, Alfa Romeo in Italy and Rolls-Royce Motors in the UK.

So although Europe is often credited with having the largest motor industry in the world, with 11.5m vehicles produced per year against 11.4m in the U.S. and 9.6m in Japan, the European industry's structure is much weaker than those of its main competitors.

Defects

Ten European manufacturers have to share 27.7 per cent of world car production compared with America's General Motors, which alone accounts for 22.6 per cent.

The two major European groups account for less than 30 per cent of European production whereas General Motors and Ford in the U.S. and Toyota and Nissan in Japan take between them 75 per cent of their national markets.

These structural defects, according to some observers, make it inevitable that further weaknesses will develop in the face of sharpening world competition.

The splitting up of production facilities and the limited scale of production make it more difficult to achieve economies of scale and to introduce automation, make innovations and achieve technological independence. And the possibilities of standardising components are reduced.

The trade unions maintain there is enough evidence to suggest the industry is in a state of crisis. The manufacturers are less pessimistic. They say the industry is just suffering from the normal cyclical downturn in demand which might be expected after a couple of good years and that this is being exacerbated by the actions of European governments determined to stamp out inflationary pressures in their economies.

But whatever view you care to take, the situation is serious enough for the European Commission to have realised it needed to begin the long and complex progress of working out an EEC policy for the motor industry. After all, the industry plays a key role in the European economy. Around 8m Europeans depend directly or indirectly on it for their living.

It is also a major consumer of products from other industries, notably steel (about 20 per cent of Community Steel production goes into vehicles), glass and rubber.

The EEC objectives for the motor industry include:

- Rationalisation of the fragmented structure. This need not necessarily be by way of outright mergers but might involve further co-operation between manufacturers via more joint ventures and rationalisation of the components supply industry.
- Increased productivity. In 1978 European manufacturers produced an average of 12 cars for each employee whereas the Japanese turned out 45 cars per worker. The European industry could boost output to 15 cars per employee by 1985—a 25 per cent improvement—but corresponding estimates for Japan vary from a 16 per cent to as much as a 100 per cent increase over the same period.
- Research and development programmes will have to be stepped up. If the European industry is to meet the challenge of the less-thirsty, safer, less-polluting and less-noisy cars which will be emerging from the U.S. and Japan it must do much more joint research to cut costs and avoid duplication.
- The European industry must develop a "modern and suitably aggressive trade strategy." For example, Fiat and Peugeot have already linked to attack the Argentinian car market and possibly will go on to spread the co-operation throughout South America.

The objectives are reasonable. But the problems involved in achieving them are tremendous. And whether there is the political will among the national Governments to work towards achieving them is open to considerable doubt.

Depression poses tough challenge

ENGINEERING

HAZEL DUFFY

THE LOW national growth rates in the European economies over the past 12 months have been reflected in the overall depressed level of activity in European engineering. Certain sectors have been particularly badly affected by reduced demand in their home markets, while the deep recession in the U.S. has had an adverse effect on industry's export order books.

The engineering industry, however, is very diverse and there are naturally pockets of activity which have held up better than others and even found new outlets for their products. Exploration and development of North Sea oil and gas continues to offer engineering opportunities to European companies, and this is becoming more marked as they develop their own deep-water exploration technology. This capability is also enabling such companies to sell their expertise in other parts of the world where the economics of oil is leading to recovery in increasingly difficult conditions.

The quest for energy is also stimulating activity in other areas which will have implications for engineering. The new importance attached to coal around the world, for instance, is putting a premium on the skills of the British and German mining equipment and handling sectors, while various projects designed to convert coal into oil will create immense opportunities for sectors of engineering.

Manufacturing industry in the leading European economies is becoming increasingly aware of the need to compete in world markets, and therefore on the requirement for more sophisticated methods of manufacture and assembly. The efficiency of Japanese industry, which is reflected in the pricing of Japanese goods, is prompting manufacturers to invest more in methods which will bring their own efficiency into line with Japan, and this in turn means increased interest in items such as robots, automated storage and handling, sophisticated computer control equipment in process industries, machining, etc. — all of which present a growing challenge to the engineering industry.

Efficiency

An example of this can be seen in the fast growing area of numerically controlled (NC) machine tools, where the European industry has much to offer in export markets. Increasing attention is being paid by research institutes and industry to the development of methods which will bring greater efficiency to small batch production — an area of particular importance in the engineering industry.

The current market situation faced by much of the engineering industry, however, is a matter of some concern. Manufacturers of components for the automotive industry (trucks, cars, agricultural vehicles, lift trucks, etc.) are confronted with a steep decline in demand in all the leading European economies. In the UK, where imported cars account for more than half total sales, the situation has become acute for much of the engineering industry. But even in the normally healthy German motor industry there is growing concern about the penetration of Japanese cars, a situation being repeated on a smaller scale with other finished products with the ultimate effect on the engineering product suppliers.

Greater specialisation in engineering can be expected to emerge from the present difficulties being encountered in the industry. This is already the pattern in Italy and France, while the larger engineering sectors in Germany and the UK have been moving in this direction during the 1970s. The nature of this specialisation must be towards the higher technology sectors, where the skills and resources of European manpower can be used most effectively.

Competition from the engineering industries of the developing countries — particularly Korea, Taiwan, Brazil, Singapore, and other so-called less developed countries—is likely to become more formidable when the recession is over. At the same time American and Japanese engineering has taken the lead in those areas which have been supported by huge Government support and defence contracts. The combination of these factors present the European engineering industry with the strongest challenge in its history.

Arbed: Emmanuel Tesch

EMMANUEL TESCH, the 61-year-old head of Luxembourg's giant steelmaking group Arbed, has a well-deserved reputation as a crisis manager. That is just as well, for he now has less than three months in which to negotiate a fresh voluntary anti-crisis plan with his colleagues at the top of Eurofer, the grouping of the EEC's 20 largest steelmakers, before he steps down from the presidency of that body.

M. Tesch, who has been chairman of Arbed since July 1972, has of late also presided over his company's own determined restructuring efforts both in the Grand Duchy itself and in West Germany's Saar region. The measures taken to streamline Arbed and its associate companies have already set something of a textbook example to other European steelmakers, and the group has now embarked on a further restructuring phase with a Lux.Fr 22bn plan spanning 1980-84.

M. Tesch's chief headache at present, though, is arguably the task of pushing through another voluntary steel plan, a successor to the Davignon Plan that collapsed last October, before he leaves his Eurofer post and in time for the scheduled ending of the emergency mandatory production curbs on steel that expire next June.

Giles Merritt

U.S. competition adds to sector's problems

TEXTILES

RHYS DAVID

LIKE THE Presidential elections in the U.S., the GATT Multi-Fibre Arrangement (MFA) negotiations have cast a long shadow in front of them. For most of the past year the European textile and clothing trade associations have been pre-occupied with preparing submissions listing the changes in the present arrangement which they would like the European Community (EEC) to secure in the talks due to start this year.

Although there are differences between the various submissions, the points in common are many. There is strong advocacy for a continuation of the policy of globalisation—the setting of a limit on total imports from developing country suppliers; replacement of the present 6 per cent minimum growth rate by a rate related to consumption in the importing countries; a reduction in the flexibility allowed to suppliers to switch between products and to carry forward or anticipate quotas; a recession clause allowing imports to be cut back when demand falls; and a social clause insisting that supplying countries meet International Labour Organisation requirements.

Reluctance

For their part, the developing countries have been making known their own reluctance to accept further restraints. Led by Hong Kong, they are insisting that the tougher restrictions on imports built into the 1977 MFA were intended to provide a once-and-for-all breathing space during which Europe's textile industry would reorganise — and should now be removed.

The significance being attached by the industry in Europe to the MFA is a consequence of the very severe pressures it laboured under last year. In the UK, where high interest rates, a strong pound and inflation added to the problems of the recession, output in some textile sectors was down by a quarter on earlier periods. Closures last year are around 100,000 from the labour force, bringing it down to around 650,000. In France, there have also been extensive closures and short-time working, and in Germany consumer demand for textiles has been very weak. Italy has been the last of the major EEC textile producers to suffer from the recession but in the past few months Italian groups have been reporting a steep decline in home and export business.

The problems of the European textile industry have been intensified by the new-found competitiveness of U.S. producers. In the UK American exporters have captured up to a third of the market in some man-made fibre products, and the likelihood that they will be supplying Britain on a continuing basis has convinced some UK fibre producers of the need to reduce capacity in heavily penetrated product areas.

After a particularly grim year most European groups are looking for some recovery in 1981. Last year was characterised by heavy destocking at retail level and in a number of countries there are now reports that the pipeline has been emptied and re-ordering has begun. There is the prospect, too, that with U.S. economic activity recovering American groups will redirect at least some of their effort back to the home market and that opportunities may be created in the U.S. for European groups. Perhaps most important, the very significant reductions in manning levels that have been taking place in the textile industry across the whole of Northern Europe will make major improvements in productivity possible when higher levels of demand manifest themselves.

The longer term prospects for the industry will be influenced strongly, however, by the MFA outcome, and although it remains possible that no agreement will be reached, the most likely deal is a continuation of the present arrangement, with perhaps some concessions being made to the developing countries' viewpoint. The EEC will at the same time be adding significantly to its own low-cost textile capacity with the accession of Greece from the start of this year, and subsequently of Spain and Portugal, all of which have been investing heavily in new capacity.

Ecology should prove a big revenue earner

POLLUTION

ANTONIA ALAFUSO

ENVIRONMENTAL technology is a fairly new branch of industry but one for which many people see a promising future. Its potential clients include a wide range of basic industry throughout the public and private sectors, and its growth has been encouraged by increasingly strict environmental regulations, whether at national or European level.

Already, high spending on pollution control is being recorded in Western Europe. Full figures are not available, but as a general rule most of the money is being used to improve and upgrade existing plants, rather than build brand new ones. Both small, specialised companies and the subsidiaries of multinationals like Bayer, Estel, Siemens and ICI (research and consultancy), are becoming interested in the area.

In the 1970s there was a demand for the development of environmental technology in water purification, waste-water treatment and waste treatment. In the early 1980s experts are confident that these same sectors — waste and waste-water treatment—will continue to be strong revenue earners, reflecting Europe's concern about water. The treatment of water is still a priority item in the environment programme of the European Community but the mid-1980s should see developments in air-pollution control, particularly the reduction of noise in industry.

The Netherlands is halfway through the second stage of its environment programme which concludes in 1985. It is a mixture of cure and prevention. The Dutch Ministry of Economic Affairs estimates that private industry will double its spending on water-treatment equipment over the next four years; a large slice of this expenditure will go to engineering consultancies. It is forecast that the country's dependence on water will rise by 226 per cent by the end of the century.

Italian industry is gearing itself up for a new ecological programme, which started last year. Over the next two to three years it is estimated that in the three sectors of water control, air control and solid waste treatment, expenditure overall will reach L450bn each year.

Recycling

France is concentrating its efforts on waste treatment and recycling. One aim is to contribute to France's animal protein needs. The 1981 Budget for waste and related activities given to the Agence Nationale pour l'Elimination et la Récupération des Déchets (the Government recycling agency) will probably amount to FFr 35m. That is slightly less than in previous years but a much greater proportion of it will go to recycling.

In the past two years in France, large industrial concerns have spent three times as much on water pollution control than the recorded average in the preceding eight years. The 10 main industrial branches, out of a total of 60, account for 77 per cent of all industrial investment in water pollution control.

Compared with closely related sectors, the pollution control equipment industry shows steady growth and a high return on capital employed. According to a recent report by Inter Company, which compared 99 pollution control equipment suppliers in the UK, the all-sector growth in the industry reached 20 per cent a year over the three years to 1979.

Out of the six sub-sectors covered, the water pollution control equipment and sewage treatment sectors have been affected by the squeeze on public sector expenditure. Over the same three years the best UK performance was by the noise control equipment sector, scoring a hefty 31.9 per cent annual growth. Close behind was water pollution control equipment with 25.6 per cent. This last sector has probably reached a plateau in the UK and is unlikely to make a noticeable comeback in the near future.

In Europe, the noise control sector gathered momentum in the 1970s, but the expected boom did not materialise. This is attributed in the main to the second wave of energy shocks and to prolonged recession. The noise control market has now rallied and noise levels have come down considerably. However the OECD has forecast that, on present showing, noise pollution will rise by one-third at the turn of the century. When European legislation has been completed in the 1980s, the noise control market is expected to take off.

Question mark over reform of CAP

AGRICULTURE
LARRY KLINGER

TO REFORM or not to reform the CAP (Common Agriculture Policy) has always been the question. Or so it would seem.

Ten years ago the EEC Commissioner responsible for agriculture at the time proposed a controversial scheme to cure what was even then a worrying surplus of subsidised dairy products. He suggested an aid scheme that would have taken 12m acres of land (about 5.5m hectares) completely out of production.

This was stoutly rejected by the then overwhelming majority in favour of "not to reform." And the dairy problem, followed by similar ones in beef, cereals and, until recently, sugar, was steadily allowed to grow into what it is today: a massive drain on the Common Agriculture Policy which is not only almost constantly under attack as being unfair but which for some time now has been in danger of running out of funds and thereby creating a serious political crisis in the EEC.

The magnitude of the role of agriculture, which still accounts for nearly 75 per cent of EEC spending, was emphasised a few weeks ago almost as an admission by Mr. Roy Jenkins, the outgoing Commission President.

He said in a valedictory address in Luxembourg that, because of this situation, ". . . we have a Community most of whose wealth comes from industry, most of whose expenditure goes on agriculture, and most of whose needs in other fields are scarcely recognised."

However, elsewhere in his speech, which overall was effectively a statement of a belief that without greater EEC integration there will be disintegration, Mr. Jenkins said: "I doubt if we can achieve major reductions in the volume of agricultural expenditure.

"That would involve whittling away at common policies, and returning at least some of the responsibility to Member States. I believe that our realistic objective should be to hold agricultural expenditure in real terms at something like its present level taking account of the continuing rise in costs and of inflation generally."

Reframed

These remarks, which are being made in various forms with increasing frequency throughout the EEC, point to the Community's dilemma: how does one reform CAP without altering it radically?

However, there is a growing feeling, both in Brussels and the various national capitals (and even among the most ardent of CAP supporters), that unless something is done the policy may collapse under its own weight into some sort of agricultural Black Hole, possibly dragging with it the very foundations of the EEC. Therefore, to get round the problem, the question of whether to reform or not is being reframed.

What is being asked is whether the policy's existing price and levy mechanisms are sufficient to attain the goal of staying within the budget while achieving the other required objectives: to stabilise markets and assure supplies while providing a fair standard of living to farmers, all in an equitable way.

Or, given that there is no way in the present economic and political climate that CAP funds will be significantly increased, whether there can be an acceptable system for the Member States to take on individually more responsibilities, especially in regional and social policy, while continuing to co-ordinate them on a Community-wide basis.

The trend is towards both, with the first option as priority and then possibly merging into the latter. And the politics to allow this are already under way: the British Government's current drive towards "Europeanism," including public support for CAP principles; the West German Government's recent proposals to curb overproduction and attain a "cautious price policy"; the growing French willingness to discuss, albeit only philosophically, the longer-term possibilities of the CAP; the Commission's new confidence that it will be allowed by the Member States, through their representatives on the various EEC agriculture management committees, to take the unpalatable measures necessary to remain within budget limits.

Whereas the traditional British and French positions on reform could be seen as virtually dichotomous, as dots at the ends of a horizontal line, with the German dot sliding back and forth but always nearest the French position, it can now be illustrated by a movement towards an equilateral triangle, with the three countries at the points and their ideas on policy interacting more freely with each other's.

It is interesting to note how in the British view, the notorious "mountains" of butter surpluses have diminished in importance. Only as recently as July, the remark by Sir Henry Plumb, chairman of the European Parliament's Agricultural Committee, that they had turned into "mole-hills" was greeted with outrage in some British Government circles.

Yet now, only a few months later, the British Minister of Agriculture, Mr. Peter Walker, is able to maintain in a Government-backed speech that, while not stating that they were mole-sized, the mountains had nevertheless shrunk to hills. Mr. Walker also said that there was a happy phrase on the lips of politicians throughout the Community: "We must reform the CAP." Alas, the phrase was not frequently followed by an explanation of what reforms were sensible or possible.

"It is important to recognise that when one is talking of an industry like agriculture," Mr. Walker said, "changes are not possible within a week or a month or even a year. Changes need to be planned and organised due to the nature or farming over a longer period.

What, then, is to happen? While it is folly to predict anything in such an arena as the CAP—which is not only tremendously complex in itself but which to work depends on a continuous coming together of the views of nine (and soon to be ten) countries—what can be said is that, if present trends continue, there will be:

● A "traditional" rise in guaranteed prices, possibly two-tiered, with a low double-digit percentage for products not in great surplus and a relatively high single figure percentage where surpluses are a particular problem.

● A commission balancing of next year's Budget (as it is now almost certainly to do this year) through sterner management that will inevitably hurt a considerable number of farmers.

● Some form of EEC co-ordinated programmes, nationally operated and financed according to ability, to cushion the hardest hit and to iron out inequalities.

Action on this last point is becoming increasingly urgent if it is still to be claimed that the CAP is a fair instrument to provide farmers with an acceptable standard of living.

A report just completed by independent experts engaged by the Commission shows that the CAP has, what in EEC jargon is called, "some negative regional effects." In real language it means that the CAP acts to widen the gap between richer and poorer by allowing the subsidies to flow to the bigger, more efficient and therefore well-off farmer. This has always been the case, but what is alarming Commission officials is the extent to which it is true.

For instance, the report shows that the average income for the farm worker in the most developed areas of West Germany, the Netherlands and France is about seven times higher than in the least developed regions of Italy and Ireland, and that the gap has been steadily widening since 1969.

The already prosperous areas of West Germany, the Netherlands, Belgium and Denmark have surged ahead while the poorer regions of southern Italy and France, Wales, Scotland and Ireland have fallen steadily behind the Community average. Moreover, when the Commission applies its sterner measures to remain within this year's Budget ceiling, richer as well as poorer will be hit, with the inevitable cries from farmers that their ministers do something about it.

Current theory has it that the annual rise for guaranteed prices will take place either shortly before or soon after the French elections in the spring; before if agreement can be reached on a range that President Valéry Giscard d'Estaing thinks can help his re-election.

In this farm prices package there will be some strictures through levies being placed on overproduction in the areas of greatest surplus, but the net effect will probably be a "traditional" package in that the rise will be just sufficient to cover an acceptable amount of past increases in costs. (COPA, the EEC farmers' organisation, states in its latest report on costs that goods and services purchased — feed, fertiliser, energy, seeds, etc. — are now increasing at more than twice the rate of prices received for products.)

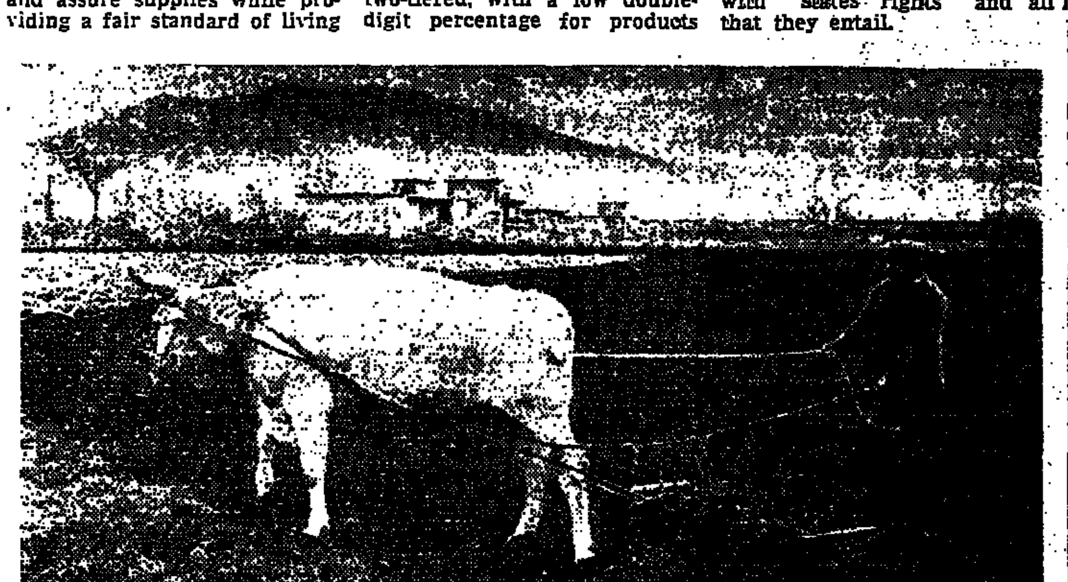
Further measure

However, current theory also has it that this will not be enough and that, given the limit on funds, further measures will have to be taken on national level, possibly as direct aid to the hardest hit, paid entirely by richer countries such as West Germany and Denmark but shared by the Community in poorer countries such as Italy and Ireland.

These programmes could emerge in private as well as the officials talks between member countries during the hard bargaining that will take place ahead of the end of the June deadline for the Commission to produce its future plans for the CAP. Furthermore, if the annual price fixing is delayed until after the French elections, then it too will become mixed up in this process and therefore could become a further catalyst for some major changes to take place.

A reform of the CAP? Possibly not, but this scheme would certainly go against the principle of Mr. Jenkins and others who feel Community disintegration will be the inevitable result of less integration. Others would claim that this fear is nonsensical, saying that even an eventual United States of Europe would be a *federated* Europe, with "states' rights" and all that they entail.

Loading grapes ready for pressing. From mid-October the country lanes of Alsace are thronged with these narrow carts on their way to the pressoir



Hugh Routledge

Age-old methods of farming are still in use in the area around Naples. In the background, Mount Vesuvius looms through the mist

On this and subsequent pages Financial Times writers based in Europe report briefly on the state of their countries

Austria

FACED WITH a large current account deficit and a record shortfall in the 1981 Budget, Austria's Socialist Government has announced a spate of increases in taxes, levies and officially regulated prices which should increase Government revenues by Sch 8bn (about £300m). However, the Budget for 1981 will still have a gross deficit of Sch 49bn and a net shortfall of Sch 25bn.

The payments deficit on current account should reach 2.5 per cent of the GNP this year. The visible trade deficit this year jumped in the first 10 months by almost 40 per cent to Sch 77bn. Yet the same time the Austrian economy is also shifting to a lower gear with this year's economic growth dropping from 5 per cent in 1979 and 3 per cent in 1980 to a mere 1 per cent. Gross fixed investments in real terms should even fall by 2 per cent, but the combined effects of labour peace, social consensus and the "Hard Schilling" policy pegging the exchange rate on the whole to that of the Deutschemark have so far helped to keep inflation within manageable bounds.

The consumer price index should rise by 5 per cent this year, but the unemployment rate will be still only around 2 or at the worst 2.3 per cent. One of the main problems is likely to be the closure of obsolete plants and the redeployment of labour, but, on the whole, the general situation is not expected to deteriorate dramatically.

Paul Lendvai

Belgium

BELGIUM has been described as a land of durable instability, and indeed it is sometimes hard to reconcile the country's volatile political scene—30 different governments in about as many years of the post-war era—with its unashamedly bourgeois sense of social order.

Perhaps the answer is the Belgian's belief that politics is not the same as serious business and should be regarded as an irrelevant sideshow. Unfortunately, the more Socialist influences of Wallonia—the francophone southern half of the country—and the decline of traditional industries into lame ducks mean that Belgium's lack of authoritative government has become a major handicap.

With its highly productive and export-oriented industries, Belgium is nevertheless still a wealthy country. But it has a snowballing State deficit that represents almost 8 per cent of GNP, a balance of payments deficit that last year doubled to 5 per cent of GNP, the EEC's worst unemployment rate at over 12 per cent and a vulnerable coalition government whose dire warnings on the need for economic austerity have gone unheeded for almost two years.

The root of the problem is the "language war" between the Walloons and the Dutch-speaking Flemings. That long-standing cultural rivalry denies Belgium political stability. Some Belgians say it mattered scarcely at all in the boom years of the 1960s and early 1970s, when Belgium was a magnet to foreign investors. But now it does.

Giles Merritt

Denmark

THE DANISH Social Democratic Government pushed through a savage deflationary policy last year, which cut real disposable incomes for the working population by about 5 per cent.

The policy has had some success in reducing inflation with consumer prices now rising at an annual rate of 6 to 7 per cent. The external account has also been improved, with imports in the final months of this year falling compared with the same period last year. The current balance of payments deficit is now expected to be nearer Kr 14bn, or about 3 per cent of gross domestic product, rather than the Kr 20bn widely predicted earlier in the year. However, with a net foreign debt earning Kr 100m, the deficit is still large and seriously mounting interest payments mean no further significant improvement is expected this year.

The other side of the coin is high unemployment, averaging about 7 per cent this year and expected to rise to 8 per cent in 1981, and a collapse of industrial and agricultural investment. Real production this year is expected to decline by about 1 per cent and the more pessimistic forecasters expect a further decline of about 1 per cent again this year.

While Ministers are congratulating themselves on the improvement in the external account, industrialists and farmers, struggling with falling sales and sky-high interest rates, are asking themselves whether they have a future unless a turn for the better emerges soon.

Hilary Barnes

Finland

THE FINNISH economy will be running out of steam in 1981 after two years of strong growth. Nevertheless, the economy is not expected to stagnate until, possibly, 1982. The estimate for GDP growth last year was around 6 per cent, for 1981 2-3 per cent.

The main problems ahead now are the sharply growing trade and current account deficits, inflation and the net foreign debt. As exports decline in volume and value while imports continue to increase, the trade gap last year was expected to be around FM 7bn (£786m) and perhaps FM 1bn more this year.

After two years of well controlled inflation, the rate has risen to 13 per cent in 1980. Although the forecast for 1981 range around 10 per cent, they are viewed with some reserve. Much will depend not only on the movements in international energy prices (Finland imports some two-thirds of its total energy requirements), but also on the labour contracts that are due to be signed by March 1981.

After a brief period of easy money, the financing market has been tightening considerably by the Bank of Finland and seems likely to remain stringent for the foreseeable future as one of the anti-inflationary expedients.

Lance Keyworth

Ten-year plan to reduce dependence on imports

OIL

RAY DAFTER

WESTERN EUROPE has a deep energy thirst; its needs account for about one-fifth of world fuel supplies. But with insufficient resources of its own, Europe finds itself heavily dependent on imports and particularly vulnerable to the seemingly ceaseless march of energy price increases.

Latest Common Market figures give some idea of the scale of the problem. In 1979 EEC countries used the equivalent of 970.9m tonnes of oil, and yet they produced less than half this amount: 451.9m tonnes of oil equivalent (toe).

According to the Statistical Office of the European Communities most of this imbalance occurred in the oil sector. While crude oil and condensates consumption was 526.4m toe—over half of the EEC's overall energy needs—the amount of indigenous production was only 89m tonnes. Virtually all of that oil (77.8m tonnes) was extracted from the UK sector of the North Sea.

Output

UK oil production will increase over the next few years. The Energy Department estimates, for example, that in 1984 UK output could be between 95m and 135m. This increase will go some way towards relieving the pressure on oil imports into the EEC, and not only in terms of direct benefits to the UK.

In view of the need to balance the mix of oil used by refineries, the UK has already become a significant double trader of oil. It continues to import heavier crudes than those produced from North Sea fields and, as a result, is able to export surplus quantities of premium UK oil. During the past year the UK has been exporting about 46 per cent of its total North Sea oil production and two-thirds of these exports have been going to other EEC countries, in particular West Germany, the Netherlands and France.

Higher North Sea output, coupled with rising exploration and development interests elsewhere in the EEC, will help to ease the imbalance between oil demand and supply. But this will fall far short of what is necessary.

Recognising this fact, Common Market Energy Ministers have set themselves a 10-year programme aimed at more rational energy policies and, in particular, a reduction of EEC's dependence on oil. In the summer they agreed to measures aimed at reducing oil consumption to a level equal to—or lower than—40 per cent of gross primary energy consumption.

Some relief will be gained from another agreement of EEC Ministers. They decided that the Community should limit overall energy growth to 70 per cent or less of the growth in gross domestic product. This improved ratio, while regarded as being attainable by energy analysts, will be in marked contrast to the state of affairs before the first major oil crisis in 1973. For, in the previous eight years, the GNP of industrial nations rose at an annual rate of 4.7 per cent while energy demand increased by 5.2 per cent.

Conservation measures also have a major impact on oil consumption levels. An EEC official told the World Energy Conference in Munich in September that over $7bn annually is being spent on new energy-efficient plants within member countries. Mr. Robert Shotton, a principal administrator with the European Commission, said that high fuel prices had virtually eliminated overt energy wastages in the Community.

Further improvements in the usage of fuel would depend on investments. Mr. Shotton estimated that the level of energy-saving investment could double within five to 10 years. Much of the spending would be borne by energy-intensive sectors of industry, such as the steel, cement and chemical manufacturers. But in many of these cases these industries were being hit by the economic recession and low profitability, he went on. Some companies did not have the resources to fund major investments.

As a result, Brussels officials have been examining ways in which the EEC could help with investment in new energy-efficient plant. Ideas which have been considered include rebates on financing interest charges and special grants.

The combined effects of conservation, low economic activity, and fuel switching have already resulted in an easing of the EEC's dependence on oil imports. Figures released in September showed that the Community imported 12.5 per cent less oil in the first 8½ months as against the comparable period last year. The Nine had imported 313m tonnes of oil, some 4m tonnes down on the 1979 level.

Undershot

Herr Guido Brunner, then the EEC Energy Commissioner, said that it seemed the Community would easily undershoot its target of no more than 472m tonnes of imports this year. Even so, the Commission has estimated that even if imports were kept to 460m tonnes, the Community would pay about $100bn for oil imports in 1980—a $25bn increase on 1979.

The concern about rising oil prices, and their impact on general economic stability, has led to one of the more important EEC energy decisions in recent times. Demonstrating commendable unity, often lacking in the past, Common Market Energy Ministers agreed at the end of November to implement a scheme designed to avoid a scramble for spot market oil supplies.

Recognising that spot prices influenced the contract rates charged by the Organisation of Petroleum Exporting Countries, the Ministers agreed to encourage oil companies to balance stock levels within the Community.

The idea, which was later taken to the International Energy Agency for wider application, should result in companies topping up stock levels in those countries hardest hit by the Iraq/Iranian disruption in oil supplies and allowing stocks in oil-rich countries to fall towards their more normal levels.

In this way, it is argued, companies in countries with an insufficient stock "safety net" would not be forced to venture on to the volatile spot market. "The danger is not just that bidding on the spot market will raise prices but that this will put pressure on the governments of oil-producing countries to raise prices," said Mr. David Howell, the UK Energy Secretary. The comment was delivered just a couple of weeks before OPEC ministers were due to meet in Bali.

Although the spot market handles only a tiny proportion of the world's internationally traded oil, its influence on contract rates has been well demonstrated. OPEC ministers can judge from the strength or weakness of the spot market just how badly importers need oil, and how willing they are to pay for those supplies. What happened in the winter of 1979/80 should serve as an example.

In the fourth quarter of 1979, the average spot price of all OPEC crudes was $40.30 a barrel, according to figures presented to the Second Oxford Energy Seminar in September by Mr. Nordine Ait-Laoussine, former executive vice-president of Sonatrach, Algeria's state oil company. In contrast to that $40.30 price, the average official OPEC contract rate was $23.70. A big OPEC price rise was inevitable, and it happened. By the first quarter of last year contract prices were averaging $28 a barrel.

But it is not only oil prices that have risen sharply under the influence of OPEC members. The price of internationally traded natural gas (either by pipeline or in liquefied form) has also been going up rapidly with exporters, like Algeria, seeking rates much akin to those for crude oil.

The Western European Continent is fortunate that it is surrounded by countries with large reserves of natural gas from Norway and the Soviet Union in the north and west to Algeria, Nigeria and Iran in the south. Energy planners are reasonably confident there will be sufficient gas available to meet demand growth over the next couple of decades at least. But it will be gas sold—just like oil—at an ever-increasing price.

France

WITH ONLY four months to go to the next presidential election, President Giscard d'Estaing looks to be in a good position to be re-elected for a second seven-year term. All the public opinion polls at the end of the year showed M Giscard d'Estaing to be well ahead of his main rival for the highest office in the land, M. Francois Mitterand, the Socialist leader

However, France's growing *economic problems might* turn the election into a closer fight than expected. The refusal by M. Raymond Barre, the Prime Minister, to modify his restrictive economic policies in the interests of bringing down inflation, has angered not only the Left-wing opposition but the Gaullists, the Government's reluctant Parliamentary allies.

What has upset M. Barre's opponents most is that, four years after the introduction of his first economic stabilisation plan, inflation has still not been brought under control—it is expected to reach nearly 14 per cent in 1980—while the number of unemployed has risen to more than 1.5m.

The Prime Minister has put down his failure to reach the objectives which he set himself to the constant increase in imported oil prices—particularly onerous for a country like France, which is dependent for more than 70 per cent of its energy needs on imports. M. Barre argues that, with an expected current account deficit in 1980 of FFr 30bn (about £3bn) and a trade balance shortfall of nearly FFr 60bn, coupled with a high inflation rate, the country cannot afford the more expansionary policies which are being urged upon *him by friend and foe alike.*

In spite of all the domestic criticism of the Government's economic policies, France has weathered the slack world economic climate relatively well. Economic growth is still expected to be in the region of 2.2 per cent in 1980 and President Giscard has set a similar target for 1981. Most of the economic forecasting institutes consider that a modest upturn can be expected in the economy in the spring.

Robert Mauthner

Greece

AFTER ACCESSION to the EEC, Greece faces a general election that promises to be a cliffhanger, entry to the minor league of oil producers, and introduction of a generalised five-day week that threatens to play havoc with the siesta habit. One way or another, it is likely to be a year of change.

Accession dates from January 1, and is expected to bring most immediate benefits in terms of modernisation of agricultural production, increased agricultural exports and an inflow of financing from the social and regional funds for development projects.

The general election constitutionally has to be fought by November. But the Conservative Prime Minister, Mr. George Rallis, who took office last May after the election of Mr. Constantine Karamanlis to the Presidency of the Republic, is expected to choose what he considers to be the most advantageous moment economically any time from May onwards.

Mr. Andreas Papandreou, the leader of the Panhellenic Socialist Movement, believes he has a good chance of inflicting the first electoral defeat on a right-wing Government since his late father, Mr. George Papandreou, won in 1964.

Oil is due to start flowing from the offshore field discovered in the North Aegean from March or April, reaching the projected production level of 25,000 barrels a day within the following three months.

Though this will represent only about 7 per cent of total Greek oil needs this year, its psychological impact could be considerable.

The Government is predicting a 3 per cent growth in GDP this year, as against 1.6 per cent in 1980, believes inflation can be brought down to 20 per cent after two consecutive years at 25 per cent, and sees no reason why urban unemployment should rise above the present modest 2.5 per cent figure.

Victor Walker

An industry which is still too fissile

NUCLEAR POWER

DAVID FISHLOCK

EUROPE'S first attempt at collaboration in nuclear energy cannot be counted as a success, inasmuch as it failed to produce a common European design of reactor, or even a common code of practice for reactor safety. National ambitions and engineering traditions proved too strong for Euratom.

Another early Euratom objective was undermined at the outset by an offer by the U.S. to keep Europe supplied with cheap uranium enrichment to fuel its reactors. Europe's plans for a common enrichment facility, antedating the EEC itself, never began to materialise.

But in the late 1960s three countries began trilateral discussions about the exploitation of an enrichment technology each had been developing in great secrecy. Britain, West Germany and the Netherlands had all begun work on the lightweight gas centrifuge at the same time, with the same objectives. Their technical experts—the first to make contact—recognised that together the three nations could share the heavy burden of development still needed to compete with the U.S. monopoly on commercial enrichment.

Urenco, a new multinational group, equally owned by the three nations, was created by the 1970 treaty of Almelo.

Although one objective of the treaty, a common gas centrifuge technology, has still to be realised, the technologies of the three partners today have many components and concepts in common. What is more, all have improved the output of their machines by a very big factor: between 8 to 10.

France, recognising the potential commercial importance of Urenco to its own nuclear ambitions, made tremendous efforts to become a partner. It was excluded because its gas centrifuge technology at the time was believed to be primitive compared with the other three. (It has since been abandoned.)

Thwarted

Thwarted in efforts to join Urenco, France launched its own multinational enrichment venture in partnership with four other European countries: Belgium, Italy, Spain and Sweden (and later Iran). Eurodif was founded on different principles from Urenco, for the technology—gasdiffusion—was indisputably French. The Eurodif partners committed themselves in the early 1970s to a FFr 23bn (about £2.3bn) programme of construction which has led, right on schedule, to Europe having the world's biggest tranche of commercial enrichment capacity outside the U.S.

Moreover, France, with the world's largest reactor construction programme, provides it with a substantial bedrock of business, to offset the vicissitudes of nuclear business elsewhere in the partnership. The low cost of nuclear electricity itself helps to offset the disadvantages of the high energy costs of gas diffusion technology.

In uranium enrichment, then, Europe has managed to break the U.S. monopoly of supply with two competing joint ventures set up by governments and paying only token attention to Euratom, the EEC agency. The present depressed state of the enrichment market is cramping further development, but such problems are unlikely to bring Urenco and Eurodif together in a common source of supply.

At the back end of the nuclear fuel cycle for which the Germans have coined the word *Entzorgung*, the European commercial situation is much less clearly resolved. In the early 1970s Britain, West Germany and France set up a joint venture called United Reprocessors. The aim was to phase construction of new reprocessing capacity for spent nuclear fuel in Europe, so that there would be adequate capacity without unbridled competition. Quite separately, Euratom had its own small reprocessing activity at Mol in Belgium, and hopes of expanding into a commercial operation.

Changing political perceptions of the *Entzorgung* over the latter 1970s has deeply affected earlier plans for United Reprocessors. While France and Britain are pressing ahead with the design and construction of large capacities for reprocessing, Germany's plans have fallen far behind. For the present Germany has abandoned ideas of bringing together in one *Entzorgung* centre reprocessing refrabrication of new fuel from the spent fuel, and permanent storage of the radioactive wastes.

The place of Germany in the partnership is still under discussion. The French have been less co-operative in freely exchanging technology with the Germans. Nevertheless the Germans can still claim more experience than Britain in reprocessing light water reactor fuel, having put over 120 tonnes through their plant at Karlsruhe. And they have experience of storing radioactive waste underground, in salt, from 13 years of experiments at Asse, which neither the French nor the British can match.

Collaboration

The *big question* now is whether Europe's experience of nuclear collaboration through these four organisations — Euratom, Urenco, Eurodif and United Reprocessors — can be harnessed to a successful venture for the fast breeder reactor. France, with Superphénix (a 1,200 MW demonstration fast reactor), half-way to completion, indisputably has a world lead in the technology. West Germany and Italy are partners in constructing this project; although French industry retains responsibility for the key components such as fuel, steam generators, sodium pumps, etc.

However, the nuclear programmes of Germany and Italy have been curtailed to a point where the original basis of the partnership is greatly weakened. France has turned to Britain as a prospective new partner in the designing and planning of commercial fast reactors. It has made Britain an offer of access especially to French experience in the design and construction of key components for Superphénix, for an "entry fee" of about £50m.

The idea of an entrance fee has a precedent in the lump sum paid by Britain in the mid-1970s to buy its way belatedly into a Franco-German research reactor at Grenoble, creating a three-nation partnership for neutron beam science.

For Britain, the offer raises genuine difficulties. Its own technology is highly developed, and even ahead of France's in developing reprocessing of fast reactor fuel. But it is at least six — some might say nearer nine to ten — years behind France in the realities of building commercial fast reactors. It senses that France, with plans to build at least six commercial fast reactors by the end of the century, would dominate the new partnership, as it does the one with Germany and Italy.

The suggestion of an entry fee is an additional irritation, which would be very difficult to argue before Parliament by a Prime Minister and Government far from convinced that it really wishes to embark upon another very big venture in advanced technology with France.

Hurdles in way of planned increase in consumption

COAL

MARTIN DICKSON

A MAJOR expansion of coal consumption is planned by the EEC nations over the coming two decades, but a large question mark hangs over their ability to provide the necessary infrastructure.

The revival of interest in coal goes back to the 1973-74 oil crisis. In its wake the EEC adopted a new energy strategy, designed to reduce dependence on oil, which became known as the "Coconuke" approach because of its reliance on increased coal production and consumption, increased energy conservation and increased nuclear power.

As far as coal was concerned, the aim was to get the Community's hard coal production back to around the 1973 levels of 270m tonnes by 1985. This would be complemented by imports from third countries amounting to some 60m tonnes by the mid-1980s.

Ambitious

It was the first in a series of exhortations by Western leaders to increase coal use which have been issued with greater and greater urgency in recent years. The International Energy Agency (IEA), which groups 21 developed nations, now wants world coal production to be doubled by 1990 and tripled by 2000. And at their Venice summit last summer seven Western leaders committed themselves to the extremely ambitious target of doubling collective coal output and consumption by 1990.

However, there are some big hurdles in the way of expansion. There will have to be major investment in infrastructure—notably ports and railways—to move the coal, and in power stations and industrial boilers to burn the fuel. Because of the long lead times involved decisions for the 1990s have to be taken soon—but in the middle of a worldwide recession there is a natural reluctance to make such large capital investments.

The IEA's Coal Industry Advisory Board, after a six-month study of the position, concluded recently that coal trade growth was too slow to meet the 1990 doubling target and said the major constraint might well be the uncertainties facing electricity utilities which were inhibiting investment in generating capacity.

The Board called for firm and prompt action by governments and industry to reduce these uncertainties.

Within Europe, a study prepared by the EEC Commission last year estimated that coal consumption might have to rise from 304m tonnes in 1980 to 390m tonnes in 1990 and 580m tonnes by the turn of the century, depending on economic growth rates. With little expansion expected in the steel industry, which uses coke as part of its production method, most of this increase will come from the market for steam coals—coals used to raise steam for power generation or industrial processes.

Up to 300m tonnes of this coal might be produced within the Community itself, but coal imports could rise from around 66m tonnes last year to between 140m and 280m tonnes by the year 2000.

The EEC's coal production in 1980 was expected to be around 243m tonnes. This is still far from the 270m-tonne target set for 1985, which Community officials now hope might be reached by 1990. Even then it could be hard to meet the target, for there are just four EEC coal producers — Britain, West Germany, France and Belgium—and only the UK and West Germany have expanding industries.

Britain, which produced about 120m tonnes of coal last year, is in the middle of a major capital investment programme designed to boost its output to between 150m and 170m tonnes by the turn of the century. The most important single element in this is the development of the huge new Selby coalfield in North Yorkshire, which will be producing 10m tonnes by the most modern mining methods by the end of the decade.

Modest

West Germany is currently producing about 90m tonnes of hard coal, largely from the Ruhr district, and around 35m tonnes of lignite, primarily from the Rhenish coalfield west of Cologne. Its expansion plans are more modest. Hard coal production could rise to between 105m and 115m tonnes by the turn of the century.

France and Belgium both have heavily subsidised and declining coal sectors. France, currently producing around 18m tonnes a year, hopes it will still manage to produce 10m tonnes by 2000, while Belgium aims to be mining 5m tonnes compared to just over 6m tonnes now.

This leaves a substantial gap to be plugged by coal imports, which are already rising substantially. The Community is likely to import around 66m tonnes this year, compared to 59m tonnes in 1979 and 45m in 1978.

These imports come predominantly from four countries—Poland, South Africa, Australia and the U.S. Imports from Poland have remained fairly static at about 15m tonnes during the past two years and the recent political upheavals in that country have cast doubts on its ability to meet such levels in future.

There has been a particularly sharp upturn in U.S. coal supplies to Europe, which have risen from 7.5m tonnes in 1978 to 14.7m tonnes in 1979. They reached the latter figure in the first seven months of last year alone. Imports from South Africa were nearly 16m tonnes in 1979, compared to 10.7m tonnes in 1978, while Australian supplies were up from 6.7m tonnes to 8m.

There are already signs, however, that the available infrastructure to handle coal exports in the producer countries is becoming stretched. There is considerable congestion at the U.S. East Coast export ports of Hampton Roads and Baltimore, while South Africa's Richards Bay export facility is now operating at around its full capacity of 24m tonnes a year.

A combination of rising demand, limited export facilities and uncertainty over the future of Polish supplies is therefore exerting a steadily upward trend on steam coal prices in Europe, currently running at around \$55 to \$65 for U.S. coals delivered to the North Europe entrepots of Amsterdam, Rotterdam and Antwerp. Dealers expect a price rise of some 10 to 15 per cent over the coming year.

A major expansion of export facilities is planned in both South Africa and the U.S., which seem certain to remain the most important sources of European imports. But there is no guarantee that these facilities will come on stream in time to balance the expected upsurge in demand for coal when Europe emerges from recession—a surge which could be given additional momentum if oil prices begin to spiral upwards once more.

Iceland

THE POLITICAL outlook in Iceland at the end of 1980 is at best bleak, and the ordinary citizen in this smallest NATO country is not too optimistic that 1981 will bring any quick or easy solutions to the country's chronic economic problems.

The present centre left coalition Government is, like all previous governments since 1971, finding it increasingly difficult to cope with the spiralling inflation, which has played havoc with the tiny and vulnerable Icelandic society. The inflation rate now stands at about 58 per cent but according to official sources, it will be 50-55 per cent on a 12-month basis.

The Government must come up with some quick economic solution if it is to survive the winter. But it has dragged its heels so far. Wages, which are automatically tied to a quarterly review of the living index, rose by 9.58 per cent on December 1, only a few weeks after union leaders secured 9-10 per cent direct wage increases from employers. The fishermen therefore asked for a 30 per cent increase in fish prices on January 1. A spokesman for the fishing industry publicly stated that this would mean that the Government would have to devalue the currency by 20 per cent in January and again by 13 per cent in March to meet the ever increasing wages and save the fishing industry from bankruptcy. The employers' association says that this means that inflation will reach 87 per cent by November 1981, if the Government does nothing.

Jon Magnusson

Italy

ITALY FACES 1981 with an economy that may escape the worst of the recession affecting the Western world, but with a political situation promising little but continued uncertainty.

The economy is only now showing signs of going into recession, domestic demand having kept industry going in 1980 after export markets turned down. Economic growth in 1980 was an impressive 3.5 to 4 per cent, though no growth is predicted for 1981.

But there is a chance that Italy's trading partners will have begun pulling out of recession in the second half of 1981, so benefiting exports. Both inflation—now 21 per cent a year—and the record balance of payments deficit should be reduced.

Less is certain about politics. Sig. Arnaldo Forlani's four-party coalition has a big majority, but there is always doubt as to what his Socialist coalition partners will decide is in their best interests. The earthquake in Southern Italy made the Government look uncaring and incompetent, and next the Communist Party announced what could be the end of its policy of seeking to enter government in an "historic compromise" with the long-ruling Christian Democrats. Instead it proposed an alternative coalition of the Left.

Italy badly needs a government that will command respect at home and tackle the country's structural economic and political problems. It is far from clear whether Sig. Forlani's administration can, or will be allowed to do so.

James Buxton

Ireland

ON NOVEMBER 6 the candidate of the ruling Fianna Fail party, Mr. Clem Coughlin won a by-election in Donegal. It was a great personal triumph for the party's leader, Mr. Charles Haughey, the current Prime Minister, and also, possibly, an important turning point for the country.

Mr. Haughey inherited a badly split party when he succeeded Mr. Jack Lynch last December. The betting was that without a by-election victory he would be tempted to run the full course until June 1982, the deadline for calling a general election.

This in turn would affect the kind of decisions Mr. Haughey would make about the economy. Ireland's economy is going through a very difficult patch. Almost every economic commentator of note as well as a great number of politicians are saying corrective measures must be taken.

With a confidence-boosting by-election win behind him Mr. Haughey might possibly be tempted to hold an election sooner rather than later and administer the harsh medicine that is generally felt to be necessary. But until an election it seems unlikely that such measures will be taken. Ireland's electorate is too volatile. Yet most observers are agreed that something must be done, and quite soon.

The basic problem is that the balance of payments deficit on current account has been allowed to run up to levels which economic commentators consider impossible to sustain. In 1979 it was IR£740m, compared with IR£156m in 1978. The deficit was not covered by capital inflows or by invisible earnings and the living standards of its 3.3m people were only maintained (although they rose slightly) because of increased borrowings, and a rundown of reserves.

Ireland has an extremely open economy with trade accounting for over 90 per cent of its GNP of IR£8.3bn. With slender reserves it cannot afford this kind of deficit, if its newly independent currency is not to come under unbearable pressure.

Ireland cut its historic parity link with sterling when it joined the European Monetary System in April 1979. Although the Irish pound at one time stood at only 79p to sterling, this was almost entirely due to the strength of sterling. Against the other EMS currencies the Irish pound has held up well, so far.

Being an open economy, however, it depends on export-led growth to expand. This is difficult if inflation is running at 18.8 per cent — its current rate — because such high price increases erode competitiveness, particularly in markets like West Germany where inflation is much lower.

In part Ireland's high inflation and its balance of payments deficit stem from factors outside its control. The country has no oil of its own and must import this expensive product. Oil accounts for something like £800m out of total import bill of £4.8bn. This compares with the figure of £300m a couple of years back.

But domestic inflation is also due to wage cost factors inside the Republic and here it is felt that restraint could help. The Government appeared to score a victory last year by getting the unions and employers to accept a national understanding of 13 per cent wage increases over a 12-month period. This is less than the rate of inflation.

But it is in the area of borrowing that the really tough decisions need to be made. The public sector borrowing requirement is now over £1bn, equivalent to 13.6 per cent of GNP and over half of this is on current account. Put another way, a lot of borrowing is being used for current consumption. These borrowings are not helping the balance of payments.

On the last budget, the Government said it would cut the PSBR to £896m. It has failed to do this. The interesting question is whether political considerations will again make the Government postpone the necessary cuts in borrowings, because of the unpopularity such cuts will cause.

Stuart Dalby

Tilting at windmills to make nuclear power acceptable

ALTERNATIVE ENERGY

DAVID FISHLOCK

EVERY EEC country today has a *national development programme* of energy technology which is still 10 to 15 years or more away from any reality of meeting a significant proportion of its energy needs. Many of these programmes have been mounted at the demands of politicians under pressure from opponents of nuclear energy. Most are likely to wither away as the realities of engineering systems to harness such unpredictable natural forces as winds and waves become more widely understood.

But some may remain because electricity authorities in particular are coming round to the view that it may be easier to win acceptance of nuclear energy if they make a serious attempt to develop some of the alternatives which have received so much publicity in the 1970s.

A case *in point is Britain's* plan to be the first country to instal an array of large windmills, probably on a site near that chosen for Britain's first pressurised water reactor. In this way the same region will, in effect, be invited to comment upon the environmental advantages and drawbacks of two very different sources of electricity. Once built, and provided the blades remain intact—breakage has proved a weakness in big windmills worldwide so far—the British array of windmills could well continue to feed 10 MW or so intermittently into the national grid, at a relatively low running cost.

Experiment

Europe's biggest alternative energy project to nuclear fission is also the furthest from commercial reality. This is the Joint European Torus or JET project to harness the fusion of light atoms to the steady release of energy. Eleven nations—the Nine plus Sweden and Switzerland—have committed £120m to the construction of an experiment in Britain close to Culham Laboratory, the national centre for nuclear fusion research and Europe's leading research centre in this field. The EEC is providing most of the money.

If the experiment is successful enough to be allowed to proceed to an "active" stage of operation in the mid-1980s, using tritium as its fuel, JET could lead the world in nuclear fusion research, believes Dr. Hans-Otto Wuester, project director. But this will require authority to spend another £25m-£30m.

JET is an experimental apparatus, however, not even the equivalent of a research reactor in nuclear fission terms. Steps in its development into a commercial reactor are likely to include at least one more experiment, already named Super-JET, followed by the construction of prototype and demonstration fusion reactors, each requiring at least 10-15 years.

Britain, in a recent assessment of the commercial realities of alternative energies, attempted to assign a star-rating—from one to five stars—to the importance it saw for about 40 energy technologies in the context of national needs and know-how. Nuclear fusion rated only a single star, despite Culham Laboratory's high international standing. One star indicates that the energy experts do not expect the technology to be yielding more than 1m tonnes of coal-equivalent a year, for Britain, within the next 50 years. The only other one of the highly publicised alternative technologies to be assigned but a *single* star is wave energy, once rated much more optimistically—until Britain began to spend seriously on research into the technology.

Nevertheless, the country continues to justify some research on wave power, as well as nuclear fusion, and also on a number of other "benign and renewable" sources of energy, such as wind, geothermal and tidal energy. The argument used in "energy insurance" is that should either of the two mainstays of long-term energy supply—coal and nuclear fusion—fail to come up to expectation, for example, because of environmental objections—the nation might conceivably be willing to pay the high price of the alternative source of electricity.

Britain is also host to another international energy experiment just being commissioned. This is the pressurised fluid bed, an experiment in the combustion of coal at Grimethorpe in Yorkshire. It aims to explore a new way of raising steam from coal at high temperature and pressure without putting sulphur dioxide into the atmosphere.

West Germany and Britain are parties with the U.S. in this International Energy Agency project. The central research tool at Grimethorpe is a 75 MW (thermal) combustor consisting of a pressure shell 46 ft long and 13 ft in diameter. This contains a furnace constructed as a water well, which in turn contains the fluidised bed. Coal and air is fed through a distributor plate forming the floor of the furnace. The whole rig will operate under microprocessor control over the pressure range 6-12 bar (atmospheres), at a bed temperature of 800-950 degrees C.

West Germany and Britain lead Europe in all sectors of advanced coal technology, as befits the two nations with the largest reserves. Germany is expected to embark early next year on a major programme of State aid for as many as a dozen projects for the conversion of coal into gaseous or liquid fuels and feed stocks. It is aimed both at giving the nation a measure of self-sufficiency and at building a new export industry in advanced coal-conversion technology.

Little chance

Along with Belgium, West Germany has mounted a joint experiment in underground coal gasification at a depth of 500 metres — too deep to contemplate mining today. The object is high-pressure combustion of the coal, to yield a high BTU gas. The chances of success are not rated highly in Bonn but as one senior official comments: "It will be great if it succeeds."

Britain's most ambitious plan for coal conversion is the £300m research and development programme approved last year by the Board of British Gas, to develop to the point of commercial reality a range of processes for turning almost any source of hydrocarbon — from hard coal to oils — into substitute natural gas (SNG). The corporations aim is to be able to keep its nationwide gas grid full when North Sea gas begins to run out. The Department of Energy's star rating system assigns five stars — top priority —to the conversion of coal into SNG.

British Gas and Lurgi, the engineering arm of Metallgesellschaft in Germany, have already collaborated closely on the development of one coal conversion technology, the British Gas/Lurgi slagging gasifier, as a key step in the manufacture of SNG. The latest stage of this development is being backed by a large EEC loan.

The latest trials of this technology, funded by the U.S. electricity, have demonstrated that both the slagging gasifier and its associated oxygen-making plant can "load-follow" over a very wide range, with no variation in gas quality, from 30 to 100 per cent capacity. This opens up a new opportunity for the technology, as a source of rich gas for combined-cycle electricity generating plant.

هكذا من الأصل

Jobless toll rises relentlessly

UNEMPLOYMENT

GILES MERRITT

THE TIDE of unemployment throughout the European Community has, since the onset of autumn, begun to rise faster than anticipated by most analysts.

In October, the last month for which EEC-wide figures are yet available, the total number of people out of work in the Community was 20 per cent up on October, 1979. For the UK, the rise in that 12 month period was over 50 per cent.

In all, 1.3m people joined Europe's dole queues in the year up to October, bringing the unemployed total to 7.4m people or 6.7 per cent of the EEC's active population of about 105m.

Last June, when the Heads of Government of the Nine met in Venice for their mid-year summit, it had been expected that the then unemployment total of 6.3m would reach 7m by the end of the year. In the event, it topped 7.1m by the end of September.

Informal calculations in Brussels—for predicting short-term shifts in Europe's labour markets can be a thankless task—now suggest that by the end of 1980 the level of unemployment in the Nine could be between 7.75m and 8m.

But much more worrying are the longer-term projections for EEC unemployment up to 1985. They range between total joblessness in the Nine (excluding Greece) of 11m up to a high of 15m. The active population will by then have risen to 110m.

Taking the more pessimistic of those figures, the present Community's unemployment total is still only half the size it will be in 1985. Belgium, which now heads the EEC joblessness league with a rate that is variously calculated at between 10-12 per cent, has been warned by its own Economic Affairs Minister, Mr. Willy Claes, that in the next five years unemployment could well double to around 600,000 people.

Mr. Claes's gloomy prediction was, furthermore, based on such comparatively optimistic economic assumptions as a growth rate sustained at 1.5-2 per cent in each of the five years (this year it will be 0-0.5 per cent, most analysts predict) and inflation held at 6.5 per cent. The growth rates required to soften the impact of unemployment throughout the Community, however, seem even more unattainable.

According to calculations prepared by the European Commission, for the Community to peg unemployment around the 7m mark would require average annual increases in Community GDP of at least 4.5 per cent up to 1985. Other analyses reckon that because limiting the total number of unemployed to around 7m in fact requires 4m net new jobs, the average growth rate needed would be over 5 per cent.

Baby boom

As both sets of figures suggest, the problem now facing Europe on the jobs front is not solely a product of the present worldwide economic recession. Europe's own demographic structure—in plain man's language the "baby boom" of the 1960s—is even more to blame. School-leavers are now flooding on to the labour market at unprecedented rates—in the UK alone they will be averaging around 200,000 a year—and are helping turn slow-down into slump.

They are also producing a youth unemployment phenomenon that is giving rise to serious concern, with some officials inside the Brussels Commission now talking openly of the "irreparable damage" being done to the Community's social and political fabric.

During the successive economic difficulties youth unemployment has become one of increasing concern. In late 1977 the Paris-based Organisation for Economic Co-operation and Development (OECD) warned that while under-25s accounted for one-fifth of the labour force in the 24-nation grouping, they were already bearing the brunt of approaching two-fifths of total unemployment. In the EEC that mark has been passed, for youth unemployment now accounts for almost 42 per cent of the total.

The key debate now, however, concerns remedy rather than diagnosis, and experts remain split over the various techniques that might be used to both save existing jobs and create new ones.

The central argument is over the notion of work-sharing, which in effect boils down to shorter working hours and therefore a need for larger workforces: in other words, an abrupt reversal of the trend toward higher productivity per worker that has been a basis of industrial management and economic planning.

Employers' organisations throughout Europe have by and large set their faces against work-sharing arguing quite compellingly that any major increases in industrial costs would further hamstring EEC competitiveness in world markets. Yet the costs of work-sharing are not necessarily as high as its opponents sometimes suggest and there are other economic arguments in its favour.

One recent calculation, by the European Trades Union Council's research body, suggested that if, say, a 40-hour working week were cut to 36 hours, as much as half of that 10 per cent reduction would be compensated for by increased productivity. The "positive employment effect" which means jobs saved as well as new ones created, was estimated at 5.5 per cent. Used selectively in certain industries and areas of Europe, that could have a major impact on the length of dole queues.

Luxembourg

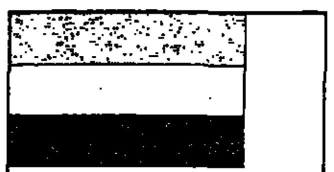
LUXEMBOURGERS tend to joke about their country's tiny size—it is a country-scale 2,500 square kilometres with a population of 357,000—but that is probably because in many ways they have the last laugh on other Europeans.

The land-locked Grand Duchy, eroded over the centuries by its powerful German, French and Belgian neighbours, enjoys an enviable economic climate. It has living standards that are among the highest in the EEC, per capita income is around the $12,000-a-year mark, and a labour relations record unblemished by any strike since 1921.

Luxembourg has its problems of course, for it is in the throes of diversifying away from its traditional base industry of steelmaking and is no longer a model land of balanced government budgets. More fundamentally, Luxembourgers are vexed by the worry that they are literally dying out as a race. One quarter of the population is already foreign, and thanks to a falling birth rate of 1.3 children per Luxembourger in 20 years' time the proportion will only be a third.

Industrial troubles, however, have been compensated by the Grand Duchy's meteoric rise as an "offshore" banking centre, for the international banking sector engaged in Euromarket activities has grown one hundredfold in 15 years and now has a combined balance sheet worth over $100bn.

Giles Merritt



The Netherlands

THE GOVERNMENT, employers and the unions in the Netherlands agree on the problems facing the country's economy. Unfortunately they cannot arrive at a consensus on what to do about it and the Government has had to impose a second year of wage curbs, designed to hold wage rises down to 5.5 per cent in 1981.

Ironically wage restraint has been one of the successful areas of Dutch economic policies in recent years. After an explosion in the early 1970s, pay increases have been more moderate than in many neighbouring countries.

The economy, which depends for 60 per cent on foreign trade, has been hard hit by the slowdown in world economic growth. The Government expects real national income to rise by a maximum of 0.5 per cent in 1981 though some bank economists expect a decline. Business investment is expected to fall again in real terms this year while consumer spending will be unchanged.

After recording sizeable balance of payments surpluses in the early 1970s the Netherlands has been in deficit for the past three years though a reduction to only Fl 1bn ($475m) is hoped for in 1981. The Government, too, has run up large Budget deficits. Minor cuts have been made in welfare spending but the Government deficit will still amount to about 6 per cent of national income this year.

Industrial problems have pushed unemployment levels to new post-war highs and more than 300,000 people were out of work in December.

All is not gloom, however. In many respects the Netherlands has weathered the economic storm better than most. Inflation will only be 6.5 per cent this year, the guilder is a strong currency and there is no official foreign debt. Gas exports are declining in volume but a more realistic system of indexing the gas price to that of oil was agreed last year with foreign customers.

The current Centre-Right Government has been hampered by its small parliamentary majority from pushing through the necessary economic reforms. A general election in May could produce a government with a stronger base, but major new economic initiatives are likely to be delayed by coalition negotiations which usually take several months.

Charles Batchelor

Eurocheques prove major achievement

BANKING

MICHAEL LAFFERTY

THE PAST decade has brought some exciting developments in the field of retail banking in Europe. As a result it is now much easier for ordinary people to travel throughout the Continent.

Undoubtedly the most important achievement relates to the Eurocheque. This is the system through which the banks of virtually all Western European nations co-operate so as to issue their customers with uniform cheques. These uniform cheques and cheque books—which are the same whether issued in Belgium, Germany or Switzerland, for example—may then be used by people travelling around Europe to make payments in virtually all currencies. So a German travelling in France can write cheques in francs, and so forth.

Uniform Eurocheques are now acceptable in a wide range of retail outlets throughout Europe. The system operates from this year on the basis of a uniform charge per transaction, which is debited with the amount of the cheque to the individual's account when the transaction has been cleared back to the home bank.

Unfortunately for the British, the UK banks have not yet joined the uniform Eurocheque system. They are only partial members, an arrangement which gives their customers the right to cash cheques in European banks on presentation of their UK bank cheque guarantee cards bearing the blue and red "EC" symbol in the corner. But Britons cannot write cheques in other currencies using their existing cheque books.

The British banks have recently approached the Eurocheque organisation in Brussels about the possibility of becoming full members of the scheme in the near future. But some banks are still reluctant to abandon their own cheque book design which they see to some extent as a marketing tool.

The uniform Eurocheque is just one of three retail banking payment systems now available to Europeans—or some at least. The other two or the Eurocard, a "travel and entertainment" (t and e) charge card similar to the American Express green card and the Diners Club card, and the Euro Travellers' Cheque.

The Eurocard was originally founded in Sweden, but was then bought by a group of European banks. It operates on the basis that each country's banks own the local card operation. The scheme is still young, and so far only around 500,000 cards are in issue, mainly in Germany, Sweden and Benelux. But Eurocard is now set for a period of rapid expansion. In France alone one bank group—the Credit Agricole—plans to issue the card to the top 10 per cent of its customers.

Once again, however, the Eurocard is not available to British bank customers. The UK franchise is owned by the Joint Credit Card Company, which in turn is controlled by three big clearing bank groups—National Westminster, Midland and Lloyds. These banks have elected not to issue the Eurocard in the UK on the grounds that the market is well served by their own Access credit card. But this is not the real reason for the decision.

It turns out that National Westminster already holds the UK franchise for the Diners Club "t and e" card. It would not be in this bank's interest to allow Eurocard into the UK market.

Changing

The market situation is gradually changing, however. Lloyds Bank has just done a deal with American Express to issue a prestige new Gold Card to its UK customers, effectively giving it a "t and e" card of its own. The result is that only Midland Bank is left without a "t and e" card. It now seems possible that Midland could end up as the UK issuer of Eurocard.

Despite the advantages of cheques and plastic payment cards the truth is that most people going abroad still use travellers' cheques as their main source of funds after local currency. This market is dominated by American Express, which is thought to account for more than 50 per cent of all cheques issued around the world. That position came under threat recently when Interbank and Visa, the two major mass payment card organisations in the world announced that they were entering the market with their own brand cheques. Of the two Visa has so far been most successful. Its publicly stated objective is to have 40 per cent of the market within five years.

On the other hand the European traveller may have a mass payment card, issued by a bank affiliated to either the Visa or Interbank card associations. Interbank issues the Mastercard.

Relations between Visa and what may be described as the Eurocheque banks are not always good, and this is at the root of many of the difficulties about the acceptance of different payments instruments throughout Europe.

Visa is already strong in the UK and France, for example. But it is extremely weak in Germany and the Benelux countries. No significant German bank has so far shown much interest in issuing the Visa card, and a Dutch savings bank which joined up recently had to suspend its membership under pressure from the central bank. Behind all this lie claims of U.S. domination of Visa, and suggestions that mass payment cards, especially when issued as credit cards, fuel inflation and endanger exchange controls.

The system's real test has yet to come

EMS

DAVID MARSH

THE EUROPEAN Monetary System (EMS) in its first 21 months of operation has presented a somewhat paradoxical face to the world.

Its performance has on the whole been better than expected. There have been no exchange crises, no massive bouts of foreign exchange intervention and, apart from the one major realignment in September 1979 none of the late night devaluation meetings in Luxembourg that central bankers and finance ministers have come to hate.

At the same time, fundamental worries about the scheme's longer term future remain, and have perhaps increased. Even the most enthusiastic devotee of this complex attempt to restore a measure of fixity to European exchange rates would agree that the real test for the EMS has yet to come.

During its initial phase the scheme has achieved, at least on the surface, what it set out to do—establish a zone of currency stability in Europe. Since the EMS started in March 1979, exchange rate fluctuations among the main EEC currencies (with the exception of sterling) have been as small as during any comparable period since the launch of floating exchange rates 7½ years ago.

Principal goal

But on a wider plane the performance of the EMS has left a lot to be desired. Although EEC countries are now certainly more willing to adopt their domestic monetary policies in the interest of exchange rate stability, there has been very little progress towards the principal goal of the exchange rate scheme, which is to eradicate foreign exchange instability by bringing about greater economic convergence among the member countries. During the general acceleration of price increases over the last couple of years inflation differentials among Community members have actually widened.

The eventual aim put forward by some of the more optimistic members of the EEC Monetary Committee—to forge a link between the EMS currencies and the dollar, is even further from being realised.

Over the whole of the two years since the U.S. dollar rescue package in November 1978, fluctuations between the dollar and the EMS currencies have, it is true, been fairly moderate compared with previous years. But there have been interludes within this period when the dollar-EMS rate has shown very marked day-to-day movements—mainly as a response to the erratic behaviour of the dollar-Deutsche Mark rate.

Improved central banking co-operation between Europe and the other side of the Atlantic has expressed itself in a number of ways, including a telephonic hot line between EEC central banks and the New York Fed which allows central bankers to discuss tactics on exchange market intervention.

But even this type of improved technical collaboration has not proved sufficient to damp down exchange market distortions when interest rates fluctuated as wildly as they did in the U.S. last year.

The most telling black mark against the EMS, however, has more to do with politics. The will to turn the system into more than simply an exchange rate mechanism has, for a variety of reasons, shown distinct signs of flagging.

Sterling, which is the second most important internationally traded currency in the EEC after the D-mark, is still outside the exchange rate part of the EMS. With the pound now charting a zig-zag upward course in line with international oil prices, and with the UK Government unlikely to overcome its distinct scepticism about the scheme, sterling looks likely to remain an outsider for the forseeable future. This naturally casts a pall over the political purpose of the EMS of proving a further step towards a united Europe—particularly at a time when the Community is divided on so many other issues.

Even more important, the Community has now shelved the original plan to set up a European Monetary Fund (EMF) as a central body to supervise settlement of intervention debts and longer-term balance-of-payments credits among EEC members. The postponement of the proposal to set up the EMF by March was confirmed at the EEC summit last month.

This reflects disagreement among national governments on the responsibilities and powers that a future EMF would enjoy. The constitutionally independent Bundesbank in particular is keen on such a body remaining a central bank-like institution enjoying freedom from government interference. This view is opposed by other countries, notably France, whose central banks are little more than government appendages.

The debate has been sharpened by the fact that the EMF would take over the 20 per cent of countries' gold and dollar reserves that are at present temporarily pooled in a central intervention fund.

Only stumbling progress, too, has been made on another prime aim of the EMS arrangements. This is to transform the European Currency Unit—the EEC's composite unit, used as the currency denominator of the system—into a fully fledged monetary instrument which could be used as an intervention and reserve currency.

The waning of the political momentum behind the EMS has, in practical terms, left it resembling little more than a modification of the European currency "snake" system, the predecessor to the EMS which functioned as a similar sort of semi-fixed exchange rate arrangement between 1972 and March 1979.

Rankles

The lack of drive behind the bid to set up a new institutional framework for Europe's currency system has not at all displeased the central banks which face the task of running the scheme. They see their jobs as complicated enough already. But the failure on the political front is the one which rankles most with the co-architects of the EMS, the French and West German Governments. Most damaging of all, it provides fuel for the critics of the system who say that Europe's grand monetary project has in fact not succeeded in producing anything new.

The success of the EMS since March 1979 on the exchange rate front is tinged with a certain feeling of unreality. Breaking all the rules in the foreign exchange handbook, funds have been moving out of low-inflation currencies into high-inflation currencies. Although Germany has the lowest inflation rate in the EEC and a history of almost constant exchange rate appreciation during the last 20 years, the D-mark in recent months has been one of the weakest members of the system. Around the beginning of November, heavy and unaccustomed intervention was required from the Bundesbank and the other EEC central banks to prevent the D-mark from falling beneath its fixed margins within the system against the high-flying French franc and Dutch guilder.

Aided by strong flows of OPEC funds into Paris, the French franc has persistently been one of the strongest members of the EMS, occupying top place until the French authorities took steps in November to damp down inflows. The upward pressure on the franc remained strong all last year despite France's inflation rate of nearly 14 per cent—almost three times Germany's still comparatively modest level of 5 per cent.

Still looking rather topsy-turvy, both the Irish punt and the Italian lira have remained fairly stable, in spite of their countries' obvious economic weaknesses.

Italy's inflation rate is still running at about 21 per cent and Ireland's at about 20 per cent. The lira has dropped down within the EMS over the past six months (it has made use of its generous 6 per cent band which gives wider leeway for fluctuations than the 2¼ per cent margin in force for the other currencies) and there has been no shortage of devaluation rumours during the summer. But neither the Irish nor the Italian currency has realy come under severe pressure.

The EMS's almost discomforting stability can be traced back to one key factor; the emergence, after years of surpluses, of a large and persistent current account deficit in Germany.

With this year's German deficit forecast at DM 20bn at least—easily the worst current account outlook of any EEC country—the foreign exchange market is still marking down the D-mark. The Bundesbank, however, is sticking to its proposition that the D-mark's large real devaluation last year will sooner or later be reversed. Its view—surely correct in the long run—is that inflation differentials eventually represent the supreme arbiter of foreign exchange rates.

EUROPE XII

Norway

RISING REVENUES from offshore oil and gas have cushioned Norway from the full effects of the international recession, though several traditional export industries are starting to feel the pinch. Among the latter are forest products, ferro alloys, iron and steel and iron ore.

During the autumn these industries have seen widespread lay-offs and a few plant closures. On the other hand, some offshore fabricating companies are so short of Norwegian skilled labour that they have had to import workers from abroad. Overall, unemployment in 1980 has been down on a year earlier and minimal by West European standards, averaging less than 1.2 per cent.

After the breathing space provided by the 1979 prices and incomes freeze, prices and wages have spiralled upwards again in 1980. In October, the consumer price index was 12.9 per cent up on a year earlier.

The trade union federation, the LO, backed the Labour Government's appeal for moderate wage increases during the spring wage bargaining. Later, however, offshore workers demanded—and won — much bigger rises. This affected expectations among the onshore labour force, influencing demands during the plant level bargaining which followed the general settlement. Average hourly wages in the second half of last year were expected to have been some 14 per cent higher than in the second half of 1979. The budget for 1981, tabled in October, pressaged further price increases.

To finance cuts in direct taxes, indirect taxes and charges for public services are being increased substantially.

While soaring petroleum prices have pushed up estimates of future offshore income. Norwegian economists warn that the petro-money will come not as an addition to Norway's normal wealth, but largely as a replacement for lost earnings by recession-hit sectors of the economy. Much of it will, moreover, be needed to service the huge foreign debt which Norway accumulated while it was waiting for the oil and gas to start flowing.

Fay Gjester

Portugal

THE PORTUGUESE economy is on the road to recovery after the slump of 1975-78 when revolutionary nationalisations and their aftermath, and successive government changes caused a rundown in investment and stocks, loss of production and grave difficulties in attracting foreign loans or investment.

Despite two Governments and a snap election in late 1979, when the ruling centre-right Democratic Alliance came to power (increasing its majority in October 1980), the upturn had already begun in 1979. A balance of payments deficit of $1.5bn in 1977, and $800m in 1978 dropped to $34m in December 1979. Exports grew by 27 per cent and, with rising interest rates, emigrants' remittances, a vital source of invisible foreign earnings, grew in 1979 to $1.2bn and, in 1980 to $3bn.

With repayment of the short-term emergency credits advanced by the Bank of International Settlements, the gold reserves, of which 52 per cent were pledged in 1977-78, were gradually released.

Today, only 2 per cent is pledged and the value of the gold reserves is estimated at between $13bn and $14bn while the gross foreign debt stands at $6.5bn.

Direct foreign investment and reinvestment has doubled in a year—from Es 4.5bn in 1979 to Es 9bn in 1980 and the prospects of political stability and a calmer, more diligent labour force now attract a growing number of inquiries. Portugal's need for investment, domestic or foreign, is almost insatiable. It must try to grow by at least 4 per cent a year economically so as to prepare for accession to the European Economic Community.

Small-scale basic industry must be expanded, to cope with rising domestic demand for cement, chemicals and fertilisers, while diversification and regional development demand special attention and imports of equipment and know-how.

Diana Smith

Spain

SPAIN was expected to round off 1980 with a depressed GDP growth of 1 per cent. Growth would have been lower but for an exceptional agricultural year. By accelerating capital spending and raising the level 31 per cent in 1981, the Government hopes to stimulate growth to around 2.5 per cent. This will only slow the rising trend in unemployment, at year-end touching 1.5m.

The 1980 inflation figure of 15.5 per cent is expected to fall two points during 1981 but much depends upon the trend in energy prices and to a lesser extent on wages. In 1980, wages kept pace with inflation but for 1981 the Government is anxious that wages should absorb at least two points attributable to the higher cost in energy.

Tight credit will continue with money supply (M3) kept to the same increase of 18/19 per cent as 1980, though with the hint of greater flexibility if recovery takes root.

The external position is likely to come under pressure with the peseta continuing to weaken and the payments deficit hovering close to $5bn and a further drawing down on reserves. The overall outlook is for a slight, though not necessarily sustained, recovery.

Robert Graham

UK contributions cut forces a rethink of Community Budget

ECONOMIC CONVERGENCE

JOHN WYLES

UNTIL MAY last year there was a strong element of absurdity in the European Community's commitment to the notion of economic convergence. A milestone agreement on May 30 lessened the absurdity but by no means removed it. The agreement was of course the one that sliced more than £1.6bn off the UK's net budget contributions to Brussels last year and this.

This special arrangement mitigated rather than eliminated the impact of an EEC budget whose structure tends to promote economic divergence rather than convergence for at least one member country. In other words, it would have been indefensible both on the grounds of equity and the EEC's own policy objectives to have forced the third poorest member of the Community, the UK, to be far and away the largest contributor to the EEC budget.

The political importance of the agreement is only now beginning to emerge as the Commission and member States begin to grapple with its immediate consequence—an attempt to acheive a broadly based restructuring of the EEC budget. This aims at a permanent solution of the UK payments problem and at avoiding the possibility of other member States finding themselves in the same difficulty.

Redefinition

This exercise is slowly forcing member-states into a redefinition of the function of the Community budget. Before May 30 France and the Benelux countries could look on it as a Treasury whose main function was to fund the Community's one genuine common policy, the Common Agricultural Policy (CAP). If in the process some of the poorer member-states, notably Ireland and Italy, received substantially more out of Brussels than they paid in, then so much the better. If also there was enough spare cash available to help fund the regional spending policies of member-governments, or some of their social spending, that, too, was desirable.

But the budget was never conceived as necessarily contributing to the removal of economic disparities between member-states. The solution to the UK's problem, which stemmed largely by its inability to profit in the same way as its partners from the CAP, has forced the Community into a temporary artificial redistribution of budgetary resources.

A more lasting solution, which is now the Community's aim, must involve the construction of a more genuinely redistributive budget based on a set of spending policies more likely to favour the poorer member-states rather than the richer. At the same time, however, as West Germany is constantly stressing, the balance of contribution among the wealthier member-states must be more equitable so that Bonn is not paying seven, or eight times more into Brussels than any other country.

Since the EEC's total budget accounts for less than 1 per cent of the Community's Gross Domestic Product, by itself it offers only limited scope for promoting economic convergence.

Nevertheless, the lack of support up to now to alter the balance in spending policies away from agriculture and into sectors of equal or greater importance for the poorer member States stands out as the clearest example of how the Community has willed the end — namely convergence — without willing the means.

The convergence goal was first adopted in February, 1974 when the Community's economy was being shattered by the first round of major oil price increases. The Nine decided then by means of a Council decision and a Council directive that since their objective was the gradual attainment of economic and monetary union, then this required increasing convergence of economic policy "of which the key principle is the achievement of stability, growth and full employment within the Community."

Achieving policy convergence has since been less of a problem than narrowing the gaps between inflation, unemployment rates and growth rates. The two oil price shocks have huddled the Community around a policy totem based largely on control of monetary growth, attempts to encourage wage restraint and cuts in the rates of growth of public expenditure.

Stability

The attempt to co-ordinate macro-economic policies is undoubtedly strengthened by the guidelines to which member States subscribe each year and also by the fact that eight of their currencies (sterling is the exception) belong to the European Monetary System (EMS). This has brought a much greater stability in the relative exchange rates of member currencies.

But EMS and macro-economic policy co-ordination look unlikely to be sufficient to narrow the gaps in performance and national wealth within the Community. Indeed there are ominous signs that the disparities are becoming greater, particularly in member States' powers of adaption and recovery from economic recession.

Earlier this year, for example, the Commission published a report from a special group of experts which warned that the cohesion of the Community is increasingly threatened by growing economic and industrial differences between member states.

Although the report was unable to gauge the full impact of the 1979 oil price rises, it unhesitatingly concluded that West Germany was far ahead in coping with post-1973 economic problems. The Netherlands, Belgium and Denmark were all said to be performing creditably while Italy and the UK were proving the least adaptable.

Although there is no difficulty in pointing up significant differences of economic performance between member States, the impact on the relative wealth of one member country versus another is less obvious.

In its 1979-80 annual report the Commission published a series of statistical comparisons based on market exchange rates and purchasing power parities. It concluded that comparisons at market exchange rates tend to over-estimate differences in living standards. But whichever measure was used the same tendency was indicated: between 1970 and 1977 the disparities between member States as to Gross Domestic Product (GDP), private consumption, public consumption and investment had slightly increased. But the provisional conclusion for 1977-79 suggested "a more convergent evolution."

As a general conclusion it is manifestly clear that the Community is far from having developed effective policies to promote convergence and that the existing approach may not be holding the line against greater divergence. This will not be good enough for the 1980s which have already seen the addition of Greece from this month and expect to see the arrival of Spain and Portugal around 1984, all looking to the Community to close the gap in between their living standards and those of Northern Europe.

Debtors aided by rising gold values

FINANCING OIL

DAVID MARSH

THE RECYCLING of oil revenues from the surplus OPEC nations to the deficit countries in Europe last year took place through greatly different channels compared with what happened after the first round of oil price increases in 1973/74.

A significant swing has taken place away from the post-1973 pattern of large, dollar-denominated financings organised either through the Euromarkets or by official bodies such as the International Monetary Fund or the EEC. The syndicated Eurocredit market of course still plays a big role—and has been much used in particular by Italy in recent months. But the new trend has been towards discreet deals in non-dollar currencies agreed with governments and banks as a result of closer and more direct financial co-operation between the West and OPEC.

The IMF which was active after the first oil price shock, in helping to bail out Britain and Italy as well as other countries like Spain and Portugal, this time round has had little to do. With its energies mainly concentrated on lending to the non-oil developing countries, the IMF has not had to be called in by any European government (apart from Turkey) during the last year.

The EEC has set up a mechanism, agreed last autumn by the Community's Finance Ministers, to help with the recycling of oil revenues on behalf of member countries running deficits. But it looks unlikely that this will have to be used in the foreseeable future.

This contrasts with the role of the Community three years ago, when it raised large loans on the international markets to pass on to Italy and Ireland.

It is worth noting, too, that a proposal put forward for the Community to launch a recycling scheme for oil money based on the European currency unit—a variant on the ill-starred IMF plan for the SDR substitution account—has made no headway.

Governments' recycling efforts have certainly been aided by an important but largely hidden influence: the increased value of their gold reserves as a result of the trebling of the bullion price over the past two years or so. Although central banks have not moved directly to mobilise their gold stocks by selling off metal, the fillip given to their reserve position by the increased value has certainly played a confidence-boosting role, allowing them to maintain large foreign borrowing programmes.

One prime reason behind the smoother progress of oil money recycling has been that the composition of current account deficits within Western Europe has changed dramatically. In 1974, the nine EEC countries ran a combined current account deficit of $12.5bn out of a total Western European shortfall of $21bn and a deficit for the OECD as a whole of $26bn.

This year's prospective OECD deficit of some $80bn will probably been made up of about $35bn for the EEC, $20bn for the rest of Europe and $25bn for the U.S., Canada, Japan, Australia and New Zealand.

In contrast to 1974, the lion's share of this year's EEC current account deficit is being borne by West Germany, expected to run a deficit of about $14bn in 1980 against a surplus of close to $10bn six years ago. Britain, France and Italy, the troublesome trio whose balance of payments problems were the root of the exchange rate upheavals of the mid-70s, look likely to have run a combined deficit of only about $10bn last year against their horrific shortfall of $22bn in 1974.

Britain, of course, is now running a current account surplus, estimated at some $1bn this year. France and Italy also moved into the black last year, although they are now both running deficits again estimated at about $7bn each for 1980.

All other countries in Europe, apart from the other oil producer, Norway, are in the red. There have been suggestions in recent months that Belgium, Ireland, Denmark and

CONTINUED ON NEXT PAGE

Sweden

SWEDEN posted a GDP growth of around 2.5 per cent last year, higher than the West European average, but recent evidence shows the economy sliding into a slump. Pessimism about the short-term outlook is aggravated by growing doubt about the ability of Prime Minister Thorbjorn Falldin's non-socialist coalition to correct the underlying weaknesses in the economy.

These are signalled by the current account deficit, which accelerated last year to SKr 21bn (£2.06bn) from an original forecast of SKr 11bn, and an apparently intractable over-expenditure on the State budget.

To cover the foreign deficit, the State Debt Office borrowed abroad at a rate of about SKr 2bn a month through 1980. With interest payments growing, Sweden will need to borrow at least as much again in 1981.

In October, the Government announced public spending cuts totalling SKr 6.4bn in this year's budget; in November it acknowledged that the budget deficit would nevertheless widen to over SKr 60bn. Private consumption is expected to stagnate but the Government has failed to curb spending by local authorities.

Two possibilities exist of improving the short-term outlook: a low national pay settlement in 1981 and an early recovery in Sweden's export markets. To achieve the first, relations between the trade unions and the Government will have to be repaired.

But without wage restraint the Government will have to envisage a devaluation of the Krona in 1981.

William Dullforce

Turkey

TURKEY IS hoping that 1981 will see the start of its 4-5 year cycle of recovery from its present—and worst—economic crisis. The official target for the growth of the Gross National Product (GNP) for next year is 3 per cent. This compares with 0.7 per cent in 1979, an estimated 0.8 per cent in 1980 and an annual average of 7 per cent between 1970 and 1978 when the economic crisis began.

The 1981 financial year budget calls for the expenditure of the equivalent of $13bn, which is 35 per cent more than actual estimated expenditure under the 1980 budget. It puts the emphasis on curbing public spending and decelerating inflation—which officials rather optimistically hope will be 40 per cent in 1981 compared with twice that rate in the preceding two years.

Imports in 1981 are planned to be $9.5bn and exports $3.5bn. Remittances by expatriate workers are expected to total $2.4bn. The deficit is expected to be financed by the International Monetary Fund and Western governments which are supporting Turkey's economic recovery programme unveiled last January.

Turkey's chances of overcoming its economic problems have improved after the military takeover last September, which halted the country's headlong slide towards civil war. The military administration, which enjoys the support of most Turks, will probably stay in power for two years, during which private enterprise is expected to benefit from the resulting political stability.

Metin Munir

Switzerland

THE SWISS economy grew at something like 2-2.5 per cent last year, even though recent months have shown signs of flagging demand in some sectors. The country continued to enjoy almost literally full employment, with a jobless rate of barely 0.2 per cent, while inflation is well below international levels at some 3.6 per cent (in October).

Lively Swiss demand, linked to a sharp rise in import prices aggravated by a generally rather weaker exchange rate, has led to a record trade deficit: it now seems certain that 1980 will consequently show its first deficit on current account in 15 years.

The coming year will probably see a slowing down in the economy. current estimates reckoning with an 0.7 per cent decline in Gross Domestic Product.

Inflation is seen as rising slightly in the first few months of 1981 but then falling off again to below current rates.

John Wicks

Differing views on conduct of monetary policy

CREDIT CONTROL

PETER RIDDELL

MONETARY POLICY matters a lot more throughout Europe than it did five, let alone 20, years ago. All the major countries have monetary targets of one kind or another and many of the smaller economies face monetary discipline by means of their participation in the European Monetary System.

Yet various countries' views of "monetarism" differ widely as does their degree of success in meeting these targets.

The main reason for the revival of "monetarism" in all its myriad varieties was essentially the inflationary explosion of the early and mid-1970s. In Europe as a whole the annual rate of growth of consumer prices accelerated from an average of 4¼ per cent in the 1960s to 8¾ per cent in 1973 and over 15 per cent in 1974.

Economists have attributed this acceleration to various causes, including the quadrupling of the oil price, the sharp rise in commodity prices and the more rapid rate of monetary growth in most countries.

The result was not only a tightening of monetary policy in the mid-1970s but also a reappraisal of the balance of economic policy. This applied even in a low inflation country like West Germany. In its submission to the British Treasury and Civil Committee of the Commons, the Bundesbank said that "the need for the public adoption of a monetary growth target arose from the strong acceleration of inflation during the 1970s and the underestimation of monetary policy as an economic policy instrument.

"Both before and immediately after the outbreak of the oil crisis in 1974 the Bundesbank used its weapons to adopt a highly restrictive policy stance to keep the money supply tight and curb rises in demand and costs. However, entrepreneurs and trade unionists underrated the impact of these measures; in view of experience under the fixed exchange rate system, they were accustomd to the Bundesbank's monetary measures becoming ineffective whenever they resulted in excessive inflows of dollars and thus proved to be self-defeating.

"The Bundesbank, together with the Federal Government and the independent Council of Economic Experts, therefore came to the conclusion that it would be useful to indicate explicitly, by means of a quantified monetary growth target, the monetary margin for the nominal growth of aggregate expenditure to those bearing responsibility for the smooth functioning of the economy."

The result was the public announcement of a monetary growth target for 1975 which has been reviewed annually since then.

A similar process occurred in other countries in Europe, parallel with the publication of monetary targets in the U.S. as well. For the UK, France, and Italy, targets were first announced from mid-1976 or early 1977 onwards.

Publicity

Monetary targets have been viewed as a necessary intermediate objective for the conquest of inflation, though the approaches have been different. A report of the Directorate General for Economic and Financial Affairs of the EEC Commission two years ago commented that one of the main differences concerned the role of the objectives and the amount of publicity they are given.

The report noted that "West Germany, France and the UK publish the target figures in order to influence expectations." The monetary targets for Italy are published in the Community's Council Directives on economic policy conditions. The Netherlands' objective of gradually reducing the liquidity ratio is theoretically a medium-term aim, and immediate considerations may temporarily override it.

In Ireland and Denmark domestic credit expansion and money supply projections are both aims and predictions which must be realised when account is taken of general projectives and constraints on general economic policy.

Belgium is the only member State that does not officially formulate any projections or objective for monetary aggregates.

These differences in turn reflect varying degrees of emphasis on the importance of monetary targets within the whole range of economic policies. The British Government has, since the last election, placed the greatest emphasis on its monetary target, compared with other policies such as statutory pay restraint.

In contrast, the Banque de France has talked in more detached terms about the role of monetary targets. It has said "it is probable that the effect of announcing policies for targets has a significant impact only if publication of the monetary targets forms part of a broader anti-inflationary policy, because it seems doubtful whether the public mentally associates price rises principally with what happens to the money supply or whether restrictive policy action on total demand that is confined to the monetary domain is fully credible and perceived as such."

The Banque de France has also noted that the influence of control of the money supply on the real economy revealed "certain inadequacies in the transmission mechanism."

West Germany has taken a middle position. The Bundesbank has said its "encouraging" experience with controlling the Central Bank money stock (cash in circulation and a specified proportion of banks' reserves) does not "justify any tendency to regard publicly announced monetary growth targets as a panacea for remedying all present-day inflation problems. In particular, it would be wrong to infer from the Bundesbank's monetary strategy that the German monetary authorities consider undesirable monetary developments to be the sole underlying cause of inflation."

These differences of emphasis are reflected in the attitudes towards medium-term targets. Britain has, for example adopted a medium-term strategy with an announced series of monetary targets stretching from the current financial year to 1983-84.

West Germany has reached a different conclusion about the same point. The Bundesbank believes that "because the economy is nowadays more susceptible to disturbances and the behaviour of economic agents is more likely to change, planning the precise use of monetary and economic instruments in advance is harder than ever before."

Steady

The Bundesbank therefore sees "little possibility at the moment of credibly going much beyond a period of one year when setting monetary growth targets for Germany, even though it is convinced of the necessity of monetary management being as steady as possible."

The differences between the UK and other countries are also reflected in the attitudes towards having a mix of policy objectives and instruments. The UK, for example, does not attempt to influence the level of the exchange rate, apart from smoothing intervention, and gives primary emphasis to the monetary target.

Some Continental countries have at times relaxed, or temporarily abandoned, their domestic monetary targets in favour of attempting to hold down their exchange rates. In West Germany, for example, the extent of the upward pressures on the Deutchemark during 1978 were thought to threaten the prospects for exports, output and jobs and therefore the Bundesbank was forced temporarily to disregard its annual monetary growth target.

Austria has gone even further and overriding importance has been assigned to an exchange rate policy—in practice a hard-currency policy linked to the Deutschemark. The Austrian National Bank does not make commitments about the rate of expansion of Central Bank money.

These differences in emphasis have meant that at times the rate of monetary growth has exceeded the target ranges. Indeed the record since the mid-1970s has been mixed. In West Germany for example, the growth of Central Bank money exceeded the target annual rate of 8 per cent between 1967 and early 1979. A wider target band of 6 to 9 per cent was adopted for 1979 and 5 to 8 per cent was in force last year; the actual growth rate was in the middle of the range in 1979 and slightly below last year.

In France the rate of growth of M2 was slightly above the target range between 1977 and 1979 and domestic credit expansion in Italy has been consistently above the upper end of the target.

The British experience with monetary targets was initially reasonably satisfactory, but the target range has been massively exceeded since early 1979. The problems about achieving monetary control have led to changes in the Bank of England's methods of operation.

The record of the past five years does not suggest any definitive judgments. Inflation rates have been neither low nor stable, though this has also reflected external pressures, notably the sharp rise in the oil price in 1979-80. The fairest conclusion is that the greater emphasis on monetary policy may have been a help in restraining domestic inflationary pressures but it has not been the whole story.

Gold price aids recycling

CONTINUED FROM PREVIOUS PAGE

perhaps Sweden—four countries which have the largest deficits as a proportion of GNP—should turn to the IMF for balance of payments help. So far, however, these governments have still been able to acquire all the finance they need through the commercial markets.

The more balanced picture of deficits, while taking the pressure off the countries which were financially weak in 1974, has put Germany in the unaccustomed position of having to seek large foreign loans and keep interest rates high to finance inflows.

One important result of this, with far-reaching implications for the world's financial system, is that the Federal Republic has dropped its traditional unwillingness to allow a wider international role for the D-Mark. No less than $10bn worth of D-Mark denominated foreign loans were arranged by the Bonn Finance Ministry in the first 11 months of last year, much of it from OPEC and other monetary authorities.

This has eased the job of financing the German deficit—but it has also confirmed the D-Mark's role as the world's most important reserve currency after the dollar—a role which the Germans know can bring problems as well as privileges.

Similar oil money borrowings in domestic currencies have been raised by France, the UK and Switzerland—all part of the world's gradual move towards a multi-currency reserve system, in which the dollar shares some of its international reserve role with the other important currencies.

Far reaching

Switzerland, like Germany ran a current account deficit last year after years of surpluses, has reversed previous policies by starting to encourage OPEC investment in Swiss franc deposits. In Belgium, Luxembourg and the Netherlands the banks have attracted a good deal of deposits from abroad in their own currencies — in Belgium's case, in particular, this has eased the Government's problem of plugging the current account deficit.

Italian public sector entities have been particularly prolific borrowers of late, following the deterioration of the country's current account position. The State oil company ENI and the power utility ENEL have raised $500m and $750m respectively in separate deals during the past two months.

At the Community level, Finance Ministers have drawn up plans to re-launch the EEC's "oil facility" to help member States in balance of payments difficulties. The aim is to increase the size of the facility, first set up in 1975, from $3bn to $10bn. Under the plan, the EEC would be empowered to raise funds either directly from the oil states or on the banking markets and lend them on to countries in need, laying down suitable economic conditions for their use.

There is sure to be no shortage of would-be users of the loan plan, and Italy, as ever, is likely to be top of the queue. But the question of economic conditions will be the stumbling block—and if governments can get funds with no strings attached from the markets or directly from OPEC lenders, then they will tend, as in the past, to fight shy of grandiose official facilities in favour of more discreet deals.

EUROPE XIV

Memories of another era before decimalisation, metrication and harmonisation—in the cause of customer protection even ice-cream has come under the rule of the common standard

Common standards high on the list of pet hates

HARMONISATION

ANTONIA ALAFUSO

"NO HARMONISATION for harmonisation's sake." That has been one of the watchwords of British members of the EEC Commission, including outgoing President Roy Jenkins, ever since the UK joined the Community in 1973. And yet the Commission has still not totally succeeded in allaying the allergic reaction that harmonisation evokes. It would rank high on the list of consumer pet hates — particularly in Britain.

The British are not alone in their real or fancied objections to Eurobread, Eurobeer and Eurosausages. The Italians took offence to a Commission proposal aimed at protecting their health by standardising the level of emulsifiers in their favourite cornetto ice-cream. Ironically, it is in the field of consumer protection, in which the Commission has appeared most active, that most failures are registered.

The aim of the harmonisation programme that the Commission originally followed was to open up market outlets in other EEC countries to European producers. Such was the logic for the "standardised" bottle that triggered a stampede of additional directives to contain the extra measures.

Not all Commission proposals have been as controversial. Metrication, though not an EEC initiative, has been well received in Britain; in general, product specification regulations have been given good ratings around Europe. That is not the case, however, for product liability proposals and the Commission's environment programme. On the latter, European business senses that the attempt to further free competition may in fact lead to an increasing degree of "regulation."

The management of the Common Market is the Commission's responsibility. That trio — the free movement of goods, people and capital—appear to be best served through the unifying hand of harmonisation. But the irreverence of Member States is no secret. Little EEC legislation has spilled into the Member States' bills and what there is has not been synchronised.

There is concern in Brussels that the Common Market is behaving like a looser free trade area. Recession has encouraged a resurgence in protectionist practices on the part of the Member States in the form of non-tariff, or technical, barriers.

These national laws, regulations and standards are ostensibly justified on the grounds of environment, health and safety, and differ from state to state. One example is the widely differing toy safety standards in EEC countries. Italian toys are not allowed into Germany where safety standards are higher than in Italy.

According to the Commission, such practices hinder the free marketing of goods and deprive the consumer of competitively priced products. Non-tariff barriers undermine the main goal of the Treaty of Rome which is that European industry should stand on its own feet on the world market. The halt on new technical barriers that the Commission agreed in 1971 with the Member States has not had a happy history. Now, in a broad-front attack the Commission has established a new programme of priorities sanctioned by the European Parliament last October. It dispenses with the need for a substantial body of EEC harmonisation legislation.

Flexibility

The Commission's new programme boasts flexibility and topicality. It will concentrate on "abusive" non-tariff barriers, although health, safety and environment will still attract total harmonisation and proposals have been put forward for EEC standards in the new technologies like telecommunications and micro-electronics. But it is not so easy in times of recession.

The problems facing the EEC are manifold. The Community's unemployment level has reached 7.5m. Europe has not closed its investment gap with the rest of the world, and it faces a disquieting contraction of its manufacturing base. The energy cycle impedes development and the performance of exports. The modest rise in the Community's slice of world industrial exports has stabilised. The composition of the Community's exports to the rest of the world shows a sharp decline, particularly in the share of machinery and transport equipment, while that of EEC goods most vulnerable to third-world competition has grown. Both the U.S. and Japan are gaining ground. Japan has managed a respectable rise in export volume which will this year be reflected in an increase in its export share, presently masked by the yen devaluation.

A strong internal market keeps to the spirit of the Treaty. It is also of growing importance if the EEC is to maintain its share of world trade — now standing at 30 per cent. The Common Market has reached a stage at which the initial impetus of tariff-cutting has worked through the system, and, in the Brussels view, more positive, second-generation industrial policies are required. International constraints make this pressing.

Quality

The Common Market must be made to work efficiently in a world of trading blocs. The bloc led by the U.S. and Japan have a technology in many ways higher than Europe's and Third World countries are catching up. Brussels sees Europe's internal market prospects and prosperity as being set to the pattern of international competition and trade. In a world of almost no growth, the aim must now be for quality rather than quantity. For example, world demand for cars has changed significantly towards those with lower fuel consumption. To be successful European manufacturers have to compete fiercely on foreign terms: "Le défi Japonnais" is taken very seriously.

So, harmonisation aims to steer the course of European industrial integration — even though there is still some dispute as to whether standards should be pitched at EEC or international levels. The Commission has shown itself in favour of international standards, but not exclusively. Dutch standards, for example, are geared to international level. Dutch officials make it no secret that the Netherlands, a small and open economy heavily reliant on foreign trade, would find it difficult to be anchored to a set European standard.

Harmonisation is ushering us into the age of telematics (telecommunications and microelectronics). If the Commission's proposals are accepted in full, European standardised telematics will stimulate industry and create employment. It is a fast growing market but the Community's four-year development programme is not ambitious.

The Commission laments publicly that Europe will miss its turn when the next upswing comes. The market for telematic systems and services grows by 15 per cent each year. By the end of the decade the market in components is forecast to grow twelvefold. Microelectronic technology, a world market in the making, is expected to top $70bn in the 1980s.

The public sector is the largest buyer of "telematics" and this complicates EEC rules of competition. The Commission has attempted to open up the process by proposing that public purchasing contracts be made clear.

There is a much more general problem. International negotiations have stripped European industry of most of its conventional tariff protection. It will have to make the best and most efficient use of energy and raw materials to survive.

The Commission also wants the new industries to be based on "clean technology." It believes that by setting strict, harmonised environmental standards it will encourage investment in new industry that is both clean and efficient. In the process, however, the less nimble-footed will inevitably go to the wall.

United Kingdom

THE BRITISH economy is now in the middle of its worst recession since the 1930s. On the Treasury's own figures, total output, as measured by real Gross Domestic Product, is likely to have fallen by 3 per cent last year compared with 1979, with a further drop of 1½ per cent likely this year.

The main pressure has been on manufacturing industry where output was expected to have dropped by 10 per cent last year and by a further 4 per cent in 1981. This, in turn, mainly reflects a sharp rundown in the level of stock of raw materials and finished goods. This destocking is expected to have run its course during this year though any recovery may be limited by an offsetting fall in investment and in exports. Unemployment may still continue to rise from the current adult total of just over 2m.

Britain is experiencing a worse recession than other major European countries in part because of its more rapid rate of retail price inflation—peaking at 21.9 per cent in May—and in part because of the transitional costs of the Thatcher Government's consequent efforts to squeeze out inflation through a tight monetary policy.

In addition, the build-up of North Sea oil and gas production to around 80m tonnes last year, or roughly self-sufficiency, has underlined Britain's advantages relative to other industrialised countries.

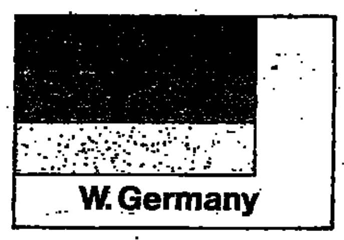
The UK's petrocurrency status, the swing of the current account of the balance of payments into a surplus of possibly £2bn last year and in this, and the UK's relatively high interest rates have all attracted money into sterling and helped push up the pound's trade-weighted index by a 10th last year.

The strength of sterling has given importers a price advantage. Together with the desire of domestic producers to reduce stocks this has led to intense competition on the High Streets and a sharp slow-down in the rate of price inflation from the spring peak—down to a 12-month rate of 15.4 per cent and an underlying rate of around 10 per cent.

So far, domestic labour costs have not slowed down in line with prices. Average earnings rose at an underlying rate of 21½ per cent during the last pay round. But there have been reports of a much lower level of wage rises in recent months in the more vulnerable parts of industry. The Government has also announced a 6 per cent earnings limit for many public sector workers.

The Government's record in monetary and fiscal policy has so far been poor though some of the impact on inflation has been offset by the squeeze imposed by the strong pound.

Peter Riddell



W. Germany

WEST GERMANY is heading for an economic upswing in the second half of 1981, with a lower inflation rate, a smaller current account deficit and a stronger Deutschemark. But in the meantime economic growth, already weak, will slacken further, and the jobless total will grow.

In a rare display of unanimity, this view is broadly shared by the country's five leading economic research institutes, the Government's council of economic advisers and by the Government itself—though naturally they differ on details.

All underline that the projections are based on assumptions which may not be fulfilled—among them that there will not be a further oil price explosion and that wage increases for 1981 will not markedly exceed the inflation rate.

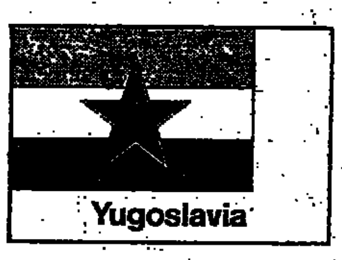
The general belief is that after about a 2 per cent increase in Gross National Product in real terms last year, there will be "minus growth" in the first half of 1981, leading to a strong upswing in the second half. Thus averaged over the whole year, the German economy is likely to grow little—if at all—in real terms.

The average inflation rate is expected to fall to about 4 per cent after 5 per cent last year and the jobless total will average about 1.1m—an unemployment rate of 5 per cent against one of 4 per cent in 1980.

The current account deficit, which last year was expected to total close to DM 30bn—the biggest in the Western world—is expected to be cut by close to one-third in 1981.

Despite the economic downturn, industrial investment is expected to remain buoyant—not least for energy savings and substitution.

Jonathan Carr.



Yugoslavia

Over the past seven months the smooth running of the Yugoslav collective leadership system has demonstrated that not the least of former President Tito's legacy to Yugoslavia has been the care taken to ensure a peaceful and constitutional takeover of power. At the same time, the way in which the new leadership has started to tackle the country's pressing economic difficulties reflects a realistic awareness that the future stability of the country is closely tied up with creating the conditions for slower but steadier economic growth.

Fortunately, international developments have conspired to keep Yugoslavia out of the headlines since President Tito's death. The Soviet invasion of Afghanistan was instrumental in persuading the European Community to conclude a relatively favourable new five-year co-operation agreement, while events in Poland have given the Soviet Union something much more complex to ponder than the future evolution of Yugoslavia.

This has allowed Yugoslavia to concentrate heavily on domestic affairs and particularly on its economic problems. A 30 per cent devaluation of the dinar in June has been followed up by a major effort to improve the balance of payments. At the same time the National Bank of Yugoslavia has been arranging a complex loan package to underpin its medium-term stabilisation policy.

Despite a 9 per cent rise in exports and an 11 per cent drop in imports last year, the trade deficit over the first 10 months still amounted to $5.6bn. This was an improvement on the $6.3bn for the same period of 1979, but still not good enough to bring the overall payments deficit down to the planned $2bn for the year from $3.7bn in 1979.

Anthony Robinson.

James Buxton reports from Rome on the background to the terrorists' new ultimatum, which expires tonight

Red Brigades mesmerise Italy again

ITALY IS facing a Left Wing terrorist offensive which is confronting the authorities with dilemmas unmatched since the kidnapping nearly three years ago of Sig. Aldo Moro, the former Prime Minister.

The latest drama has kept the Red Brigades terrorists in the headlines almost every day for nearly a month. Ordinary Italians are appalled—and yet in some way mesmerised—by their power. They emerge from the underworld apparently following some evil script. They strike and then promptly disappear. No less appalled, the Government, the forces of law and order and the Press have had to take agonising decisions on the crisis the terrorists have caused.

The drama has been dominated by the seizure of Sig. Giovanni d'Urso, a senior magistrate who has now been a prisoner for four weeks.

On Saturday the Red Brigades said that they would kill him unless, in 48 hours, the leading newspapers published full statements by terrorists held in two prisons. Most papers have refused to do this.

But there has also been the revolt by imprisoned terrorists at the Trani prison—successfully put down by Italy's equivalent of the SAS—and the assassination in public of General Enrico Galvaligi, a senior carabinieri officer responsible for security in the prisons in which terrorists are held. He had worked closely with Sig. d'Urso.

There are plenty of differences between this and the Moro case. The former Prime Minister and head of the long ruling Christian Democrats was kidnapped in an ambush and held for 55 days before being murdered after the Government refused to make any concessions. The present attack is concentrated on a new target—the system under which the 3,000-odd convicted, or suspected, terrorists are arrested and imprisoned. Unlike the Moro kidnapping, it is not primarily an attack on the politicians.

But what is both significant and depressing is that it follows a year of unprecedented success against terrorism, particularly that of the Left.

The Red Brigades themselves have suffered about 100 arrests, a number of deaths in shootouts with police and the humiliation of seeing former colleagues confess — a process which cleared the way for so many arrests. From June until mid-November there were no Red Brigades operations at all, and the total number of terrorist operations declined from 2,200 in 1979 to 1,200 in 1980. (Deaths rose, however, from 22 to 114, in part because of the 85 victims of a bomb planted by right-wing terrorists at Bologna railway station in August.)

The current offensive, however, shows that the Red Brigades are far from dead, that the conditions which lead them and other young Italians into an underworld or quasi-underworld existence are still potent, and that the Government still has difficulty both in formulating a coherent response to terrorism and in tracking down its most dangerous adherents before they commit offences.

(The Red Brigades—Brigate Rosse—began operating under that name in 1970. They were formed by amalgamating different "brigades" set up by different leaders in the main regions of northern Italy. These far Left groups were initially involved in the Viet Nam protest movement of the late 1960s and gradually turned to terrorism.)

The Red Brigades appear to operate on the classic clandestine system of small cells of terrorists, with few members knowing the overall structure of the organisation. Like so many organisations in Italy they are organised on a regional basis—the current operations being carried out by the Rome "column."

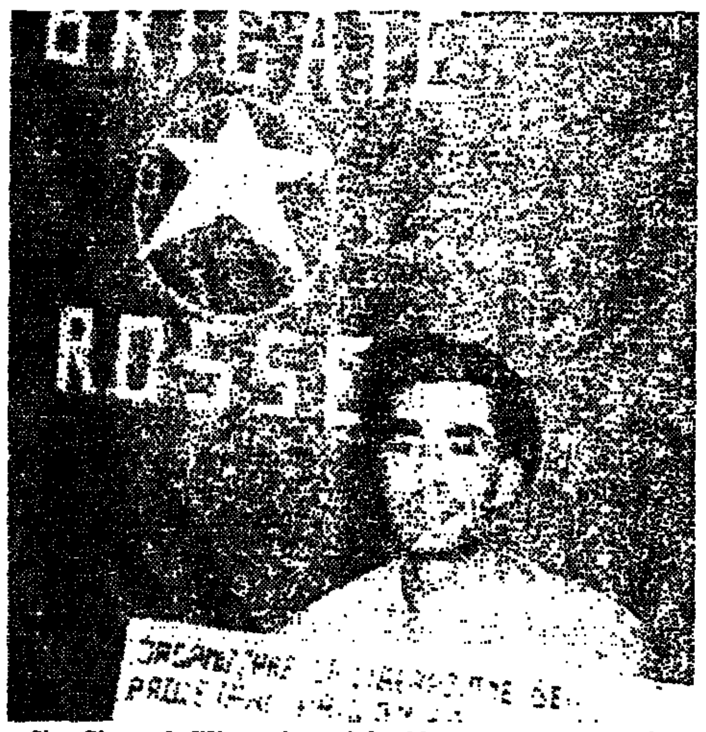
Estimates of their total numbers are rare, but they probably do not exceed 200 or 300. Some are full-time terrorists, others may take time off from office and factory jobs to commit terrorist crimes.

Many appear to have received equipment and some training from other terrorist networks, mainly in the Middle East, but there is no evidence of a concerted externally organised campaign to destabilise Italy.

The earlier generation of terrorists in the first half of the 1970s was mainly composed of middle class veterans of the student movements of the late 1960s who took that agitation a violent stage further. But many of the present Red Brigades members may be drawn from the ranks of factory workers — a disturbing matter for the middle class political parties.

The Red Brigades would be unable to operate effectively without the co-operation or acquiescence of many other young people — intellectuals, eternal students, drop-outs—who may help the terrorists communicate, find them places to live, put them up for the night or simply not report suspicious activities. For at the root of the terrorism both at the Left and the Right is the malaise that affects much of Italian youth, and the more general and endlessly analysed malaise of the whole country.

Even in an economy which grew by nearly 4 per cent last year it is very difficult for young people with a good education to find a suitable job.



Sig. Giovanni d'Urso pictured by his terrorist captors the day after his abduction.

The big companies and the Government have sharply reduced their recruiting. Small, more vital concerns tend to be family-orientated and regionally-based. Sweeping anti-landlord legislation has reduced the supply of rented accommodation and cut worker mobility at a time when the gradual decline of the extended family means that ever more young couples and individuals want a place of their own in which to live. Well over half Italy's 1.6m unemployed are under 25.

Meanwhile only youths with influential godfathers can be remotely sanguine about the immobility of the Italian political system, the dominance of parties and factions, and the lingering possibility of an "historic compromise" which would bring the Communists into government alongside the Christian Democrats. The Italian state survives, but the inability of governments to change things, their perceived incompetence in reacting to events (such as the November earthquake) and the corrupt wheeling and dealing of those inside the system are depressing.

For a tiny few of those who are conscious of all this, a life of terrorism may offer a sense of purpose (however perverted), excitement, a coherent structure and a pervading, if turgid, ideology. The broad theory of left wing terrorism is that successive terrorist actions will lead the state to use such repressive measures that it will be seen to be the "fascist" monster that the Left considers it already is.

Yet these vague aims, are manifestly not being attained. The State has shown itself remarkably resilient before terrorism. And the record shows that most terrorists (and even more innocent suspects) get arrested in the end, often to suffer almost indefinite detention without trial under laws passed in the wake of the Moro case.

The Red Brigades profess to be unworried by this and argue that the arrests of 1980 have actually strengthened them, cutting out the weaker and less reliable branches of the terrorist movement, and the amateurs who crack under interrogation. Yet the movement has been forced to slim down, change its habits and tighten its security procedures. And the current concentration on weakening the authorities' powers to deal with terrorism indicates that survival rather than war on the State has now become the priority.

The skills of the police and carabinieri which have led to the arrest of the 3,000 are being applied in the search for the kidnappers of Sig. d'Urso and for the killers of Gen. Galvaligi.

The anti-terrorist forces have become cleverer and more effective over the past few years. But even though there is a police special branch, called the DIGOS, with responsibility for terrorism it must work through not one but two police forces: the Carabinieri, the paramilitary force which comes under the Ministry of Defence, and the Sicurezza Pubblica, which reports to the Ministry of the Interior. There is always the risk of confusion or duplication through their not coordinating their actions.

A further complication is that the magistracy, which must issue a warrant for all arrests, is itself divided on political grounds between Left and Right, which means that terrorists of one political hue may be pursued less vigorously in one place than another. After the right wing bomb outrage at Bologna the right-leaning Rome magistrature tried unsuccessfully to take over the investigation from the left wing Bologna judiciary. Neither the magistrature, which has considerable independence from the executive, nor the police, lack zeal or energy in dealing with terrorism. But their efforts can be haphazard. Sometimes magistrates order the peremptory release of those painstakingly arrested.

But the kidnapping of Sig. d'Urso has forced the Government to take a stand, rather than helplessly condemn an outrage and leave the hard work to the police, as happens too often. The problem is that bomb explosions, Sig. Arnaldo Forlani's four-party coalition government has had to learn just how to handle terrorist blackmail and may now, by a process of trial and error, have reached a tenable position.

The Christian Democrats' coalition partners include the Socialists, whose inclination has always been towards making concessions in order to save lives. Thus they pushed the Government into closing the Asinara top security prison, the original demand of the kidnappers. Despite the ambiguities which have surrounded this particular issue, it is difficult to prevent it as anything but a concession which led to further demands.

Then came the Trani prison revolt, with the boost to the government's morale which the dramatic operation by the previously unused GIS (Group for Special Intervention) provided and the chilling murder of Gen. Galvaligi who unaccountably was unescorted. By the time the terrorists offered to lift the sentence of death on Sig. d'Urso in return for the terrorists in Trani and Palmi jails being allowed to state their views publicly in the national media the Government was firmly against compromise. It was supported by the Socialists and all other major parties.

Yet on Friday, just after the Government had re-iterated its firm line, it was learnt that the official Socialist newspaper, Avanti, was publishing in full a Red Brigades statement. The newspaper has also said that it will publish the statement demanded by the Red Brigades in their ultimatum. Only with difficulty was a compromise agreement made at the weekend to hold the coalition together behind its official firm line.

The Red Brigades' statement of October, 1980, outlined three aims: two of them—to strike at the magistrature and to strike at the prison structure—are currently being pursued. The third was to "return to the factory" by staging exemplary attacks on "the bosses" and to try to create a "secret armed trade union." Two Milan managers were shot in the autumn, and the terrorists believe that the current move towards moderation by much of the Italian trade union movement—which can only be interpreted as realism in the face of grim economic realities—provides an opening for renewed terrorism.

That remains to be seen. But however unpopular the terrorist cruelty makes them with ordinary Italians, and however illusory their objectives are, no Government can face up to terrorism in total confidence when it is presiding somewhat helplessly over the apparently intractable political and economic problems, thrown up by a combination of Italy's history and the tremendous social upheaval it has undergone in the past 35 years.

Letters to the Editor

Not incentives—simplicity

From Mr. E. Whiting

Sir, — Why do Mrs. Thatcher, the accounting bodies and yourself (all on January 5) call for "incentives" for small businesses? What they need is not a rag bag of incomprehensible incentives but a certain, simple stable framework of taxation and commercial law, which small businessmen can themselves understand without continual recourse to professional advisers and consultants. Under taxation I include, of course, national insurance.

Let us look at a few of the "concessions" in recent Finance Acts and other more recent proposals. Relief for losses on unquoted shares occupied a very long section of the Finance Act, 1980, only in order to allow relief for losses at income tax rates instead of capital gains tax rates. The number of conditions required to prove entitlement to the relief is enormous.

Retirement annuities were given further tax relief with new "carry forward" provisions, as well as retaining an option to carry back "unused" relief, all in terms that only an expert can understand. And what entrepreneur starting a new business thinks of retirement? The chief beneficiaries of these four long sections of the Finance Act, as far as I can see, are life assurance companies.

The Finance Act 1978 provided that losses incurred in the early years of a new business could be carried back and set against tax deducted from salary or wages earned previously. This provision seems to be very little known and it only applies where the business is not a limited company. I have heard of no case where it could be said to have acted as any kind of incentive.

Another wonderful provision of the Finance Act, 1980, was the 100 per cent capital allowance for "small workshops" under 2,500 sq. ft. There is already a 50 per cent initial allowance for all industrial buildings. The small workshop allowance means only that there is another £10,000 (on a £20,000 building) to carry forward against profits of some distant date in the future and more complications if you sell the building. A great incentive?

The proposed new stock relief, while apparently simpler, is not so certain as the old and there is a mean, niggling provision that the first £2,000 worth of stock is disallowed. This is on the grounds that small claims are an administrative burden. But every small business has to submit accounts to the Inland Revenue, a stock figure is shown and relief will be only one more line in the tax computation. How much simpler to have no petty restriction of this kind (to be adjusted later for inflation?). A small business with stock of £4,000 will have 50 per cent of it disallowed. A large business with £4m will have 0.05 per cent disallowed.

The latest proposal of the accountancy bodies for tax relief on investments in unlisted companies contradicts utterly my canons of simplicity and certainty. It will be no incentive to the entrepreneur, and only cause more work (and fees) for accountants of clients with money to invest.

Any programme for the simplifications which small businesses need could not be implemented quickly. The jungle that has been allowed to grow is not easily penetrated, let alone cleared. A first priority however, should be a combined income tax and national insurance contribution for employees and no employer's or self-employed contribution at all. The fiscal revenue lost from this should be recouped by abolishing the small profits (not necessarily small companies) corporation tax rate of 40 per cent, by scrapping all the miscellaneous small business "incentives," by increasing income tax moderately, and, if that is not enough, by increasing taxes on tobacco, beer and spirits. This kind of programme would be a tonic to small businesses, new or old, and would provide directly much needed employment, thus reducing the public sector borrowing requirement.

The Financial Times and Mrs. Thatcher might be able to start something. We cannot look for simplification to the Treasury, the Inland Revenue, the accountancy profession or the larger companies with their own tax departments, all of whom have, unfortunately, a vested interest in complexity.

Edwin Whiting.
(Lecturer in Management Control and Lecturer in Accounting and Taxation, New Enterprise Programmes), Manchester Business School, Booth Street West, Manchester.

Management hawks

From Councillor N. Hodgson.

Sir,—I find your article on managerial hawks (January 5) heartbreaking.

For the first time in 30 years, management is in a buyers' market with the trades unions and Labour in political and economic disarray, so how do they propose to show that they are fit to manage—by taking vengeance according to Len Collinson, "but take your revenge carefully," he adds.

What a way to think. True, the unions have been domineering, taking their revenge for the industrial revolution, for the 1930s depression, for the many disabilities that the working class has suffered as compared with the well-to-do.

Is it not now time for good will, for efforts to improve conditions for all, for management to show that workers do not need oppressive trades unions to protect them, to prove that we are all on the same side nowadays. When Len Collinson says "we have an opportunity . . . grab it now" let us hope that this is what he really means.

N. B. Hodgson,
Astley Abbotts,
Bridgnorth, Shropshire.

Positively Victorian

From the Director-Environment, British Railways Board.

Sir, — The very balanced and sensible article by Gillian Darley (January 8) on the problems associated with the large Victorian infrastructure for which British Rail is responsible was deficient in only one important factor — which I am certain she would have wished to include.

The grant aid we receive towards the cost of maintaining our historic buildings is limited entirely to the five Grade I stations we possess, and some Grade II (Star) buildings which are even fewer in number. As grateful as we are for the support of the Historic Buildings Council, we really must hand the palm for aid, comfort and assistance in the past two or three years to a few local authorities. The authorities responsible for the two great conurbations of Merseyside and Manchester have co-operated with us in the most rewarding and positive manner. In Merseyside, not only have a significant number of small stations been improved at their cost, but work has been carried out by unemployed youngsters under the youth opportunities programme of the Manpower Services Commission.

In Manchester the County Council has been responsible for initiating with us the wholly successful environmental improvement scheme associated with Manchester Victoria Station. There are very few examples in architecture where a distinguished architectural façade of some considerable length has been hidden by a rather mean back street — until demolition of a block of vandalised derelict buildings has been cleared away to reveal a sparkling elevation in golden sandstone — now facing on to a newly created landscaped city square.

Both local authorities have realised that the building infrastructure of a national organisation is just as equally an important part of the local environment. We very much welcome and appreciate the financial support that local authorities all over the country have been and are seeing fit to give us.

Bernard Kaukas.
British Railways Board.
222, Marylebone Road, NW1.

Marketing farm produce

From The Vice-Chairman, The Marketing Society.

Sir,—Reporting (January 7) on the recent Oxford Farming Conference, David Churchill, your Consumer Affairs Correspondent, commented on the proposal put forward by Miss Detta O'Cathein, one of the special marketing team set up to advise the Ministry of Agriculture, that a new trade body, should be set up in this country.

Miss O'Cathein also suggested that farmers in Britain must market their produce properly if they hoped to compete with the "superb marketing efforts of their European competitors" and I believe that it is indeed a better understanding of what is meant by "proper marketing" that is the key to problem. Without this understanding and a consequent attitudinal change of business emphasis from production to marketing no trade body would have a chance of success.

In my experience many producers of agricultural products have been over-concerned with protecting their investment by "beating their neighbour out of market share" using pricing to the exclusion of all other aspects of the marketing mix such as quality, presentation, new product activity, sales distribution strategy and a consistent level of marketing expenditure.

So while Miss O'Cathein's proposal has some considerable merit for the future, I suggest that in the beginning there has to be an honest acceptance that "proper" marketing is not something that can be turned to when all else has failed, or can be picked up or rejected as the short-term market conditions change, but is first and foremost the essential discipline that leads to consistently good business practice—and that means profit.

Ken Webb,
The Marketing Society,
35 South Park Road, SW19.

Consumption of ethylene

From the Editor, Chemical Insight

Sir,—In view of the state of the European chemical industry, it is difficult to quarrel with the arguments about ethylene growth rates which Mr. A. K. Unsworth put forward on January 7. The aspect of the data published by CEFIC, the Brussels-based organisation which represents European chemical industry associations, which I find most interesting is the assumption that ethylene demand will recover more quickly after the 1980 downturn than it did after the previous recession of 1975.

It then took three more years before consumption passed the previous high level of 1974. It is now assumed that the 12.2m tonne peak of 1979 will be almost reached in 1981 and topped by some 400,000 tonnes in 1982. The forecast is clearly unrealistic.

Crucial to the CEFIC estimate, is the assumption that west European ethylene demand was due to fall 12.8 per cent in 1980, when the figure is likely to be closer to 25 per cent. In fairness to CEFIC, however, it should be pointed out that their estimates were based on a survey conducted earlier in 1980, before markets had been too drastically eroded. It will indeed be a long time before European supply and demand for such vital petrochemical building blocks as ethylene return to equilibrium. Analysis of the data shows that the west European surplus between effective ethylene capacity and consumption amounted to 5.02m tonnes in 1980 and is estimated to fall to 3.7m tonnes by 1984.

No matter what view one takes of the CEFIC survey, it offers little encouragement to companies to embark on a costly programme of new investments, except to take advantage of special feedstock situations as is the case with Norway and the UK. Even then, there is little merit in adding to the existing surplus unless the companies concerned can close some older plants.

M. C. Hyde.
Chemical Insight.
6, West Grove, Greenwich SE10.

One shuffle too many

From Ms. P. Ford.

Sir, — Having attacked Mrs. Thatcher for misusing the language, Mr. Peter Riddell told us (January 7): "It is a pity that Saatchi and Saatchi did not feature in Monday's (Government) reshuffle."

If Mrs. Thatcher arranged her Government after the last General Election, surely last week's announcement concerned a rearrangement, not a reshuffle, or have I missed a shuffle?

(Ms.) Pauline M. Ford,
2, Priest Cottage,
Marton-cum-Grafton, Yorks.

Today's Events

GENERAL

UK: Sir Adrian Cadbury, Cadbury-Schweppes chairman, and Lord Limerick, British Overseas Trade Board chairman, speak at Institute of Sales Management conference on the language key in export strategy, Birmingham.

Mr. Michael Foot, Opposition leader, visits Newcastle-upon-Tyne.

Mr. Michael Heseltine, Environment Secretary, speaks on inner city partnership, Liverpool.

International Toy Fair, Harrogate (until January 15).

Overseas: Central Bankers meet in Basle.

European Parliament session opens, Strasbourg (until January 16).

OFFICIAL STATISTICS

Treasury publishes central Government transactions for December (including borrowing requirement). Personal income, expenditure and saving, and company profits for third quarter. Housing starts and completions for November. Department of Trade issues figures for hire purchase and other instalment credit business for November and final November figures for retail sales.

PARLIAMENTARY BUSINESS

See Parliamentary Diary on page 20.

COMPANY MEETINGS

See Financial Diary on page 20.

COMPANY RESULTS

Final dividends: Bett Brothers. Braid Group. Brenhall Board (Holdings). Claverhouse Investment Trust. Interim dividends: Astra Industrial Group. Carclo Engineering Group. Ellis and Everard. Hoss Robinson Group. Ratners (Jewellers). Rossgill Holdings. F. H. Tomkins. Interim figures: Murray Northern Investment Trust.

JFB suffers £4m CCA loss

ON A CCA basis, the Johnson and Firth Brown Group incurred a pre-tax loss of £3.95m for the year ended September 30, 1980, compared with a profit of £5.58m shown in the historical accounts.

The loss is after adjustments for cost of sales, £2.22m, monetary working capital, £2m, depreciation, £9.28m, disposal of fixed assets, £2.4m and gearing, £2.37m.

As reported on December 15, the historical profit was well down compared with the £10.3m achieved in the previous 15 months. The year's result was before debiting £2.81m terminal costs, including redundancies relating to activities closed during the period.

In his annual report, Mr. J. M. Clay, chairman, says the group faces a difficult time in the current year. The world recession is the main cause, but the group's position is made more difficult than its overseas competitors by an over-valued pound, high interest rates, high inflation and higher charges for energy.

Mr. Clay points out that the principal subsidiary, Firth Brown, consumes as much electricity as a medium-sized city and energy costs represent about 25 per cent of added value.

However, the group's aim is to come through the recession with sufficient resources to fund the upturn in activity. To this end, borrowings have been restructured so that they will all be of either a medium or long-term nature, leaving the group with substantial unused overdraft facilities.

The balance sheet at September 30, shows bank overdrafts and loans of £5.57m (£18.8m). Loan capital of £55.72m (£41.1m) includes £19.25m (£1.21m) bank term loans and £13.1m (same) convertible unsecured loan stock repayable after five years, together with £15.75m (£13.5m) bank term loans repayable between two and five years.

FIH profits downturn

Ferguson Industrial Holdings, the building, engineering supplies, giftware and printing group, has reported pre-tax profits of £1.36m, compared with £2.70m, for the nine months to November 30, 1980. Group turnover was £61.46m compared with £60.6m.

The figures are revealed in Ferguson's offer document which details its agreed bid for Gosforth Industrial Holdings.

Gosforth shareholders are told that profit in the third quarter at Ferguson is usually better than in either of the preceding quarters "and this year is no exception, with an addition of £587,000 to the half year's pre-tax profits of £776,000.

It is the intention of the Ferguson Board to recommend a final dividend of 3.3p per share payable in August 1981 which, with the interim dividend of 2.2p per share paid on January 8, 1981, would make an aggregate unchanged net dividend of 5.5p per share for the year ending February 28, 1981.

New Cavendish dealings to resume

DEALINGS in New Cavendish Estates, the property group that made a reverse takeover last November of the ailing Smithfield butchery concern, Lidstone, are to resume on Friday.

The shares were suspended in November pending publication by New Cavendish of information on its activities.

A pro-forma balance sheet based on valuations of New Cavendish's assets at June 30, 1980, and of Lidstone's assets at July 19, 1980, showed freehold and leasehold property worth £3.1m, listed investments of £10,000 and net current assets of £675,000.

Secured loans amounted to £1.26m, deferred tax £0.4m and preference capital of £74m, leaving shareholders' equity of £2.065m.

New Cavendish has said it intends to develop as an investor in shop, office and industrial property. The butchery business is to be sold.

D. C. Thomson up to £5.48m

PRINTER and publisher, D. C. Thomson and Co. reports a slight increase in trading profits from £5.43m to £5.48m for the year to March 31, 1980. Investment income also rose from £3.25m to £3.86m.

The private company, which has a 24.8 per cent holding in Southern Television, achieved an income after tax of £4.2m (£3.94m). The net dividend is raised from 22.5p to 25p per share.

BIDS AND DEALS

Hallamshire purchase

Burnett and Hallamshire Holdings has purchased, on behalf of its wholly owned subsidiary, The Mining Investment Corporation, the whole of the issued capitals of Rushcliffe Fuels and Pinebolt Development, including its wholly owned subsidiary Trigg Plant, from Speedwell Commercial Leasing and Securities, a wholly owned subsidiary of Clumber Holdings.

The initial consideration is £1.6m plus a deferred consideration of up to £600,000 based on profit performance for the year to September 30, 1981.

The three companies acquired by B and H are all based in Nottinghamshire. Rushcliffe's principal activity is the purchase of coal and other solid fuels for processing, distribution and resale. The major activity of Pinebolt is the removal of power station ash under contract and Trigg is engaged in plant hire.

The activities of all three companies are complementary to those of the mining division of B and H.

The combined profit before tax and extraordinary items based on the audited accounts of Rushcliffe, Pinebolt and Trigg for the year ended September 30, 1980 amounted to £265,745 and the combined net tangible assets of the three companies at that date were £1.37m.

METALRAX

Metalrax, the Birmingham-based subsidiary of Metalrax (Holdings) and a manufacturer of steel storage equipment, has acquired Interax Sales of Chislehurst, Kent.

NESCO/COLMORE

Nesco Investments' offer for Colmore Investments has so far been accepted by holders representing 3.1 per cent of the shares. This brings Nesco's holding in the company up to 31.4 per cent.

Holders of Colmore are reminded that acceptances should be received by 3 pm on Tuesday.

ASSOCIATES DEAL

On behalf of Bahco, Panmure Gordon and Company, bought 30,000 Record Ridgway ordinary shares at 37p.

ARTHUR LEE & SONS

Arthur Lee and Sons has acquired from Aurora Holdings the bright steel stockholding depots of Osborn Steel Stockholders at Slough and Sittingbourne.

Consideration was £580,000 which is represented by stocks and fixed assets at the depots.

GILTSPUR OFFERS UNCONDITIONAL

In response to offers on behalf of Unigate to acquire Giltspur, acceptances have been received in respect of 16.97m Giltspur shares, representing 89.5 per cent of the issued share capital.

It is not intended to refer the proposed acquisition to the Monopolies Commission.

The offers have been declared unconditional as to acceptances but they remain conditional on the passing of the resolution sanctioning the capital reorganisation of Giltspur which is to be proposed at an extra-ordinary general meeting of Giltspur to be held today and on the allotment of new ordinary shares in Giltspur pursuant to such reorganisation.

The offers remain open for acceptance until further notice.

TARMAC/F. PARKER COMPLETION

Tarmac Roadstone Holdings, a subsidiary of the Tarmac Group, has completed the purchase of Francis Aggregates and other assets from the Francis Parker Group for a total consideration of £6.64m. This compares with a book value of the assets acquired of £5.5m.

Tarmac has paid £1m for the company and its subsidiary John Heaver (Holdings) and at the same time discharged loans of £4.5m due from Aggregates to its bankers. Tarmac is also purchasing other assets, which are to be used in the Aggregates business for £700,000, and has discharged Aggregates indebtedness to Parker of some £440,000.

IMPS ACQUIRE U.S. SHOPPING CENTRE

Imperial Group Pension Funds has acquired a major regional shopping centre in the "Silicon Valley" area of California for around £30m.

It has purchased the Eastridge Mall centre from Hart Properties. The centre, situated in the San Jose metropolitan area some 52 miles east of San Francisco, was developed by the Taubman company and completed in 1971.

Eastridge Mall is on a 107 acre site consisting of a 1.4m sq ft enclosed shopping mall anchored by four major department stores.

Imperial has already acquired several office buildings in Denver, Colorado, and another major regional shopping centre in San Diego.

SHARE STAKES

Central Manufacturing and Trading Group—Caparo Group acquired through the market on January 8, 75,000 ordinary at 51.25p. The holding of Caparo Group in CMT now totals 5,235,000 ordinary (19.8 per cent).

Phoenix Timber—Mr. H. F. Hillman, director, disposed of 13,000 shares.

Drayton Premier Investment Trust—The Staff Superannuation Scheme and the Mineworkers' Pension Scheme together hold 7,167,239 shares (25.25 per cent).

Murray Caledonian Investment Trust—As a result of the purchase of 150,000 ordinary the National Coal Board Staff Superannuation Scheme and the Mineworkers Pension Scheme together with a subsidiary, wholly owned by the schemes, now jointly hold 4,396,416 ordinary (8.16 per cent).

London Investment Trust—P. S. Berry has disposed of 465,000 ordinary reducing his interest to 1,500,000 (5.4 per cent). H. C. Clifford-Turner has disposed of 250,000 ordinary reducing interest to 900,000 ordinary.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Astra Industrial, Carclo Engineering, Ellis and Everard, Hogg Robinson, Murray Northern Investment Trust, Ratners (Jewellers), Rosgill, F. H. Tomkins.

Finals: Bett Brothers, Breid, Claverhouse Investment Trust.

FUTURE DATES

Interims—
Caledonian Assoc. Cinemas ... Jan. 16
Cantors ... Jan. 16
Unitech ... Feb. 3

Finals—
Imperial Group ... Feb. 12
Kenning Motor ... Jan. 14
Trusthouse Forte ... Jan. 21

Gartons discloses deals details

AT AN extraordinary meeting on Wednesday, Gartons, the Merseyside-based agricultural seed company, is seeking shareholders' approval to a string of transactions in which the company has been involved over the past eight years.

In the circular giving full details of all the deals, the directors admit that "because of their size or because of the interests of your directors in such transactions" shareholder approval should have been sought at the relevant time.

The company — which has undergone numerous Board changes over the period in question—says that the directors have recognised "the deficiencies of the administration and financial controls within the group," which have led to the transactions not being properly disclosed. "Steps have been and are being taken to ensure that in future both internal control and external reporting and disclosure will function effectively."

The transactions by the company over the period include a £150,000 exchange and disposal of land in 1976 and 1979; the sale of a loss-making seed business in 1978; the disposal of the company's crop inspection aircraft in 1977; an option agreement in 1978 between Industrial and Commercial Finance Corporation and Tarnhow, the private company of Mr. Peter Darlington, the Gartons' chairman, which has a 43.8 per cent stake in Gartons; and the acquisition in 1973 of shares in Chancellor Finance.

In addition the group has been involved in loans to seven associated companies all controlled by Gartons' directors. The interest cost to the group on account of these interest-free loans over seven years is estimated at £27,000.

The circular says that the directors recognise that the company and companies associated with the directors should be independently financed. In recognition of this "your directors have resolved that no money should in future be lent by any company in the Gartons' group to any director or any company associated with a director."

In addition the chairman says that revenue transactions between any company in the group and companies associated with the directors should be minimised and that existing transactions should be reviewed and where possible reduced or eliminated. Transactions in which the directors were interested at December 31, 1979, amounted to £15,000.

Mr. Darlington tells shareholders that transactions involving the directors, past directors and substantial shareholders will in future be kept to a minimum and if possible eliminated. He says it is intended "to conduct the affairs of the company and the affairs of the companies associated with your directors . . . on a separate and distinct basis."

On the disposal of the group's aircraft in 1977 the circular says that the Cessna 337 twin-engined light aircraft had been owned by the group since 1972 but because of rising costs the directors considered the ownership of the aircraft to be uneconomic. It was sold to C. S. Bishop, a company controlled by Mr. Darlington through Tarnhow for £10,000 which the directors considered to be a fair price.

The group now rents the aircraft from Bishop for a rental of £700 per month. In addition the group continues to employ the pilot on a part-time basis at an annual cost to the group of some £3,000. The circular points out that based on costs incurred by the group of £11,400 per annum, the cost per hour for business use is £70 compared with a comparable commercial rate of £100.

FT Share Information

The following securities have been added to the Share Information Service:—

Dunbar Group (Section: Banks).

Hadland (John) (Electricals).

Hesketh Motorcycles (Motors and Cycles).

Kean and Scott (Drapery and Stores).

Pennzoil Company (Americans)

Phoenix Mining and Finance (Property).

Scan Data International (Electricals).

Thames Investments and Securities (Property).

Yelverton Investments (Trusts, Finance, Land).

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS — BY JOHN MAKINSON

A gale blows in through the window

REPORTS OF the death of the fixed-interest Eurodollar bond market are clearly premature. This is probably the only consolation that bankers will draw from last week's frantic activity in a market which seemed barely alive during the closing months of last year.

By the end of the week, some bankers were sounding distinctly sour about the way in which competitors had hastened to launch issues at the lower dollar rates which have prevailed since Christmas. One banker, who claimed to have received five invitations to participate in new issues within half an hour on Wednesday afternoon, accused issue managers of "throwing dollars at the borrowers."

Wednesday saw the launch of five new issues totalling $525m, probably the largest volume seen on the market in a single day. Thursday was scarcely less busy, with another five bonds amounting to $360m on offer. By the end of the week, the flood appeared to have been stemmed. A $75m offering from Amoco was the only new arrival on Friday.

The spate of activity was prompted by the sharp fall in dollar rates around the turn of the year, bringing on to the market borrowers which had understandably baulked at the rates that had to be paid late last year. Yet the terms of the new issues were sufficiently tight for the mid-week downturn to leave most of them looking high and dry. Some bonds were being quoted at less 4 or 5 points in the unofficial grey market by Friday afternoon.

The congestion and confusion was particularly unfortunate as many of the names on offer would have been well received in more normal times. Caisse Nationale de l'Energie is a prime borrower with considerable scarcity value, yet its $100m new issue was languishing at less 4½ to less 5½ on Friday afternoon.

The American corporate names on offer (IBM, Du Pont and Amoco) were holding up better than most, but managers may still find themselves with more paper on their books than they would wish unless U.S. interest rates resume their downward path next week.

Some bankers fear that the borrowers, as well as the market, will be damaged by last week's excesses. Ireland, for example, is an occasional borrower which has not visited the dollar market since 1971.

In the past, Ireland's dollar and sterling issues have been managed by S. G. Warburg, but the Republic broke with precedent last week by bringing a $50m Eurobond through Credit Commercial de France. By the end of the week, it was being quoted at less 4½ to less 5½, which will do little to enhance Dublin's stature on the market.

On the dollar secondary market, it was not surprisingly a week of sharply mixed fortunes. Prices rose by around 2½ points early in the week but all the gains were later eroded and Friday evening saw bonds trading at slightly below the levels of a week before.

The Swiss franc and D-Mark sectors of the market roughly followed the pattern of the dollar market, with early euphoria giving way to a more bearish tone as the week progressed. The DM sector remained closed to new issues, although a decision to reopen it in a limited way is expected on Thursday. Swiss banks were more active, announcing several new issues on Thursday.

On Friday, Nordic Investment Bank announced that it was raising SDR 20m. This aroused some interest in the light of last week's London launch of a new SDR CD market, yet the move was hardly surprising, for the bank denominates its accounts in SDRs and has issued bonds in the unit before.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡EDF (g'teed France)	125	1988	7	13	100	Societe Generale	13.000
†GTE Finance NV	50	1986	5	13¾	100	Blyth Eastman Paine Webber	13.750
‡EIB	100	1988	7	12¾	100	CCF	12.750
‡Euratom	40	1990	5.87	12⅞	100	Citicorp Intl.	12.875
†Hydro-Quebec	100	1991	8.4	13	100	CSFB	13.000
†Bank of Tokyo	75	1991	10	5¼†	100	CSFB, S. G. Warburg	5.319†
‡Swedish Export Credit Corp.	75	1986	5	13	100	Morgan Stanley	13.000
Du Pont Canada Inc.	75	1991	10	13½	100	Wood Gundy	13.500
IBM World Trade Corp.	200	1988	7	12½	100	Salomon Bros.	12.500
‡GMAC	100	1988	7	12⅞	100	Salomon Bros.	12.875
‡Eaton Corp.	50	1989	8	13¼	100	Salomon Bros.	13.250
‡Caisse Natnl. de l'Energie	100	1991	10	12¾	100	Credit Lyonnais	12.750
‡Republic of Ireland	50	1988	7	12¾	100	CCF	12.750
Prov. of Newfoundland	60	1990	7	13½	100	CCF	13.500
Amoco (U.K.) Explrn. Co.	75	1988	7	13¼	99½	Morgan Stanley, S. G. Warburg	13.364
SWISS FRANCS							
‡Transcanada Pipeline	100	1991	—	5½	100	UBS	5.500
‡Oesterreichische Kontrbk.	100	1991	—	5⅝	100	SSC	5.625
**§Sanyo Electric	200	1986	—	4¾	*	Credit Suisse	
*§Mitsubishi Petrochemical	70	1986	—	4¾	*	UBS	
‡City of Stockholm	50	1991	—	5¾	99	Nordfinanz-Bank	5.885
GUILDERS							
**Nationale Nederlanden	60	1989	7	10	99½	Bank Mees en Hope	10.155
SPECIAL DRAWING RIGHTS							
‡Nordic Investment Bank	20	1986	5	11½	100	Orion Bank	11.500

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ○ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

U.S. BONDS — BY IAN HARGREAVES

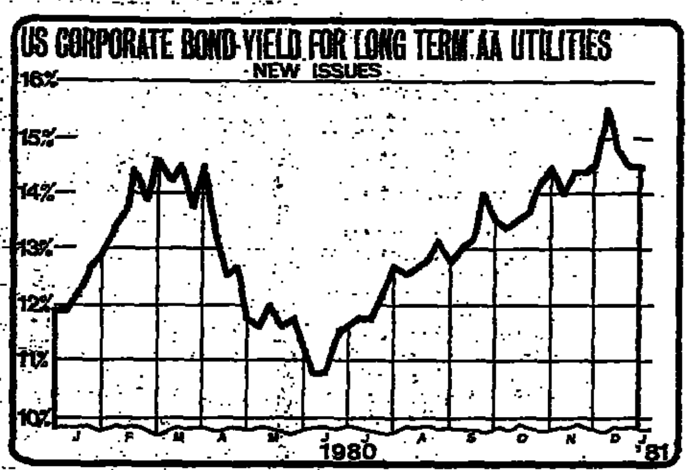
Industrial borrowers take the plunge

DISTRACTED by last week's fireworks at the New York Stock Exchange, investors may not have noticed some quieter but equally outstanding developments in the credit markets.

The Federal Reserve reported weekly and year-end money supply figures late on Friday and was able to show another very large drop in both M1-A and M1-B, the latter being down by $2.5bn for the week ended December 31. M1-B has dropped by an astonishing $7.1bn in the last four weeks reported.

These figures mean two things. First, the Fed can now claim to have achieved its money supply targets for the whole of 1980 — something which appeared virtually impossible at the beginning of December. Secondly, the market can hope that this successful end to the old year will be carried into 1981, with positive implications for inflation and interest rates.

That hope was the basis of a very strong bond market rally last Monday (the day the previous week's money supply data was released). But the other side of the coin is the increasing caution being attached to forecasts of lower interest rates. Some Fed members have made it clear in public statements that the gravest error of 1980 was to let rates slide too quickly after the peaks of last spring.



The Fed's market actions last week appeared motivated by this view, that the present decline must be very gradual and preceded by solid gains on money supply stabilisation, rather than mere wishful thinking.

So for the whole week, the Fed was actively propping up the Fed funds rate at around the 19 per cent mark and holding other short-term rates with it. That is why the prime rate has also stuck at 20 per cent or higher, with the one bank that went lower (Chemical) admitting on Friday that it had made a mistake and joining the rest at 20 per cent.

The biggest news of the week was that three companies, all of them financially strong, decided to take the plunge. Conoco, Tenneco and Alcoa between them announced plans to raise $650m of 30-year money. Conoco's AA rated issue has been priced by Morgan Stanley to yield 13½ per cent. Tenneco's single A issue is priced to yield 13.47 per cent.

Looking back at the progress of AA industrial yields in the past year, these companies have decided to come to market at a time when yields for these type of bonds are higher than at any time other than the periods late February to early April and early November to the turn of the year.

Their fear is, obviously, that even these rates will not last and that they had better rush now before the picture worsens again. This decision is taken in the light of the fact that a corporation which hesitated with an issue on October 24 last year (when AAs were yielding 12.63 per cent) then saw yields rise to 14.13 per cent by mid-December.

These corporate treasurers know that a couple of weeks of poor money supply figures—which are entirely on the cards, according to experts — along with heavy Treasury borrowing, could destroy a fragile bond market rally.

As always in volatile times, a decision to float debt carries risk and Alcoa, Tenneco, and Conoco may be wrong in choosing this week to break what has been a four-month absence of pure industrial corporations from the markets. But by any argument, their willingness to pay more than 13 per cent for 30-year money is an unhappy reflection on the outlook, as they see it, for inflation in the U.S.

U.S. INTEREST RATES (%)

	Week to Jan 9	Week to Jan 2
Fed fnds wkly avge.	19.45	20.22
1-mnth. Treasury bill	14.95	11.71
3-month CDs	17.05	16.80
Treas. 30-year bond	11.88	11.94
Long-trm. AAA util.	13.63	14.00
Long-trm. AA indus.	12.88	13.76

Source: Salomon Bros. estimates.

CREDITS — BY PETER MONTAGNON

Spain presents a lean prime joint

THE Kingdom of Spain is raising $500m in the Euromarkets through an eight-year credit co-ordinated by Bank of America and Manufacturers Hanover.

Margins on this long-awaited credit have been set at ⅜ per cent over Libor for six years rising to ½ per cent for the remaining two years, but lenders may choose an alternative pricing of ⅜ per cent over U.S. prime throughout the life of the credit.

Spain is thus joining the ranks of those borrowers who are prepared to raise money over U.S. prime in order to achieve a low margin in nominal terms. But it is doing so at a time when prime stands at 20 per cent, while six-months Libor stands at only 17⅞. It is thought in Madrid that the Kingdom was prepared to accept this expensive option because it apparently believes that over time prime and Eurodollar rates will move closer together.

Spain borrowers are also active in the Euromarkets and the Kingdom wants to offer banks a lucrative deal to help maintain their interest in lending to Spain.

For banks with a deposit base in the U.S., there is no doubt that even a margin of ⅜ per cent over prime is an attractive proposition, but it is less certain whether many will be interested in a deal yielding less than ½ per cent over Libor.

Spain's credit was the first major borrowing to crystallise after the New Year break, but the momentum of business is building up again and a number of deals are in the pipeline. They include a $100m borrowing for Hellenic Aerospace with a Greek Government guarantee. The borrower is seeking 10-year funds on the basis of a [illegible] per cent split margin. Also planning to tap the market is India's Oil and Natural Gas Commission, which wants to raise $200m.

Both deals are attracting competitive interest, principally because they are relatively rare names in the market. Bank exposure to India was in fact very low until the recent $680m financing for the Orissa aluminium smelter which was well-received at a split margin of [illegible].

Also expected to emerge in the coming weeks are a major borrowing by Sweden and a $250m credit for Argentina's Agua y Energia Electrica, both of which were already anticipated before Christmas. Italy's Montedison meanwhile disclosed last week that it is considering a large credit, but declined to confirm Italian press reports that the amount contemplated is $500m.

In other market news, the Kingdom of Denmark is renegotiating terms on a $200m five-year credit signed in 1977 with a group of Canadian banks under the agency of Bank of Montreal.

The loan now carries a margin of 1 per cent, but under the new terms this will be reduced to ⅜ per cent from June with a flat renegotiation fee of ⅛ per cent. At that time the average remaining life of the credit will be less than 21 months, making the new margin attractive to the lenders even by comparison with Denmark's latest $200m, eight-year deal with its split ⅜ per cent margin.

Another credit for Venezuela is in arrears, showing that the country's new Director of Public Credit, Sr. Carlos Zubillaga, still has not managed to restore order to Venezuelan public sector borrowing. The credit in question is a $40m borrowing by the Corpo Turismo affiliate, Inprotur, arranged in 1977 with a margin of 1½ per cent under the agency of Trade Development Bank.

Venezuela was the largest borrower in the Euromarkets last year, raising loans worth a total $6.71bn, according to Morgan Guaranty Trust. Even so, bankers frequently complain of what they perceive as poor co-ordination and management of its borrowing programme.

Elsewhere in Latin America, Ecuador has mandated LBI to raise $50m over eight years with three grace at a margin of ⅝ per cent throughout.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CECA 11½ 88	100	92⅞	93⅜	+0⅛	0	12.97
CFE 13 87	75	†90½	91	+0½	−1	15.27
Citicorp O/S Fin. 10 86	300	87⅞	88⅜	+0⅜	−0⅛	13.13
Citicorp O/S Fin. 12 87	200	94⅜	95¼	0	−0⅛	13.13
Con Illinois O/S 9¾ 86	150	86½	87	+0⅛	−0⅛	13.28
Denmark 11¾ 90	100	89⅝	90⅛	0	−0⅛	13.69
Dome Petroleum 13½ 92	50	98⅝	99⅛	−0⅛	−0⅛	13.67
EEC 11 95 (May)	75	85⅜	85⅞	−0⅛	−0⅛	13.26
EEC 11 85 (August)	70	84⅝	85⅛	+0⅛	−0⅛	13.38
EIB 13¾ 90	100	99⅝	100⅛	0	−0⅛	13.73
Eksportfinans 9½ 87	75	84⅜	85⅛	+0⅛	−0⅛	13.05
Elec. de France 10 88	125	84⅝	85⅛	0	−1⅛	13.28
Export Dv. Cpn. 12¾ 87	100	97⅜	98⅛	+0⅛	+0⅛	13.22
Export Dv. Cpn. 9½ 86	150	86⅝	87⅛	0	+1	13.24
Fed. Dev. Bank 12¾ 85	75	95¾	96¼	+0⅛	+0⅛	13.47
Fin. Exp. Credit 10½ 85	50	88⅞	89⅜	−1⅛	+1⅛	13.87
Finland, Rep. of 9½ 86	100	83⅜	83⅞	−1⅛	+1	14.14
Ford Credit O/S 14⅛ 83	150	99	99½	+0⅛	+0⅛	14.92
Ford O/S Fin. 12⅜ 85	250	90	90½	+0⅛	0	15.82
GMAC O/S Fin. 13⅜ 85	100	98	98½	+0⅛	−0⅛	13.89
GMAC O/S Fin. 12 87	100	92⅝	93⅛	0	−0⅛	13.65
Gen. Mtrs. O/S 11⅜ 87	100	91⅜	92⅛	+0⅛	−0⅛	13.63
Goodyear O/S 12½ 87	75	†96	96½	−0⅛	+0½	13.36
Hudson's Bay 11½ 90	75	90⅛	90⅝	0	+0⅛	13.29
IBM Canada 10½ 85	50	92⅞	93⅜	0	−3⅛	12.59
Int. Harvester 12¾ 85	115	94	94½	0	−1⅛	14.49
J. C. Penney Int. 12⅜ 86	100	†97	97½	−0⅛	0	13.08
McGraw 13½ 85	75	95⅛	96⅛	+1⅛	−0⅛	14.75
NorWest Ind. 13¾ 87	50	†96½	97⅛	0	+0⅛	14.36
Nova Scotia 10¾ 90	50	86⅝	87⅛	0	+0½	13.20
OKB 10 85	50	89⅛	89⅞	0	+0⅛	13.14
Pemex 11½ 88	100	87	87½	+0⅛	−0⅛	14.35
Quebec Hydro 11½ 92	100	88⅛	88⅝	0	+0⅛	13.52
Repsteel O/S 11½ 88	100	83⅝	84⅛	+0⅛	−0⅞	15.21
Roylease 11⅛ 85	50	92⅛	92⅝	+0⅛	−0⅛	13.55
SNCF 12⅜ 85	50	96⅝	97⅛	+0⅛	−1⅛	13.31
Sweden 12⅜ 85	150	95⅝	96⅛	−0⅛	0	13.57
Swed. Ex. Cred. 12½ 85	40	95½	96	−0⅛	+0⅛	13.82
Swed. Ex. Credit 12 83	50	95⅝	96⅛	−0⅛	+0⅛	13.85
Transamerica 12⅜ 83	50	†96	96½	+1⅛	−0⅛	14.04
Unilever NV 9¾ 90	100	83	83½	−0⅛	+1	12.87
World Bank 9⅜ 85	200	88½	89	−0⅛	−0⅛	13.22
World Bank 10⅛ 87	300	87⅛	87⅝	0	0	13.22

Average price changes... On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅞ 90	100	93⅛	93⅞	−0⅛	+0⅛	9.41
Australia 8¼ 90	250	96⅛	97⅛	0	−0⅛	8.65
Austria, Rep. of 8¾ 92	150	93⅛	94⅛	0	0	9.13
[illegible]						

Average price changes... On day −0⅛ on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes... On day 0 on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	90⅜	91¼	0	+1⅛	13.04
CIBC 13½ 85 C$	50	†98½	99⅛	−0⅛	+2	13.80
CIBC 11½ 85 C$	60	†93½	94⅛	−0⅛	+2	13.34
Federal Dev. 11½ 90 C$	60	†86⅞	87½	−0⅛	+1⅛	13.99
Fst. Can. Inv. 10 84 C$	50	†90	90⅞	0	+2	13.72
R. Bk. Canada 10 86 C$	40	90⅞	91½	+1⅛	+1⅛	12.33
Tordom Cpn. 13½ 85 C$	30	†98½	99⅛	−0⅛	+1½	13.80
M. Bk. Dnmk. 9 91 EUA	25	90	91½	0	−0⅛	10.46
SOFTE 8⅞ 89 EUA	40	87½	88⅜	+0⅛	0	10.45
U. Bk. Nrwy. 9½ 90 EUA	18	98⅜	100	0	−0⅛	9.60
Bk. Mees & H. 10 85 Fl	75	101⅛	101⅞	−0⅛	0	9.55
F. G. Hypo 9⅜ 87 Fl	60	94	94⅛	+0⅛	−0½	10.03
Heineken NV 10 87 Fl	100	98	98½	0	+0⅛	10.36
Nat. Inv. Bk. 10 87 Fl	75	97½	98	−0⅛	+0⅛	10.48
Nat. Neder. 9½ 87 Fl	60	95⅛	96⅛	−0⅛	−0⅛	10.45
Ned. Midd. Bk. 10 85 Fl	75	101⅛	101⅝	−0⅛	+0⅛	9.59
Aero Paris 13⅜ 87 FFr	150	86⅜	87⅜	0	+0⅛	13.77
Charb'nages 13⅞ 85 FFr	400	99⅜	100⅜	−0⅛	+0⅛	13.90
CECA 14⅜ 86 FFr	150	100⅜	101⅛	+0⅛	+0⅛	13.89
Finland 11 84 FFr	80	90⅞	91⅜	−0⅛	+0⅞	14.15
Finland 11½ 89 FFr	70	85	86	0	+0⅛	14.90
Gaz de France 11 84 FFr	150	91⅜	92⅜	+0⅛	+0⅞	13.85
Renault 9⅜ 85 FFr	100	84⅛	85⅛	−0⅛	+2⅛	14.56
Solvay et Cie 9⅜ 87 FFr	125	78⅜	79⅜	−0⅛	+0⅛	15.09
Utd. Mex. Sts. 14 85 FFr	150	98⅜	99⅜	−0⅛	+0⅛	14.21
Acona 14 85 £	20	†95½	96⅛	−0⅛	+0⅛	15.23
Beneficial Fin. 14⅛ 90 £	20	94½	95⅛	+0⅛	+0⅞	15.27
Beneficial Fin. 14⅛ 90 £	20	94⅞	95⅛	+0⅞	+0½	15.30
BNP 13½ 91 £	15	95⅞	96⅝	0	+0⅛	14.22
CECA 13⅜ 88 £	20	96⅛	96⅞	−0⅛	−0⅛	14.24
Citicorp O/S 13½ 90 £	50	†96⅜	97⅛	+0⅛	+1⅛	14.15
Fin. for Ind. 14½ 88 £	20	100⅜	101⅛	+0⅛	+0⅛	14.33
Fin. for Ind. 13¾ 87 £	20	97	98	0	+0½	14.31
Gen. Elec. Co. 12½ 89 £	50	93⅜	94⅜	+0⅛	+1⅛	13.74
Peugeot SA 14 90 £	23	94⅛	95⅛	0	+0½	15.02
Rothschild 14⅛ 90 £	12	97⅛	97⅞	−0⅛	−0⅛	14.71
Swed. Ex. Cr. 15⅛ 85 £	20	102½	103⅛	0	+0⅛	14.32
Banobras 8⅜ 90 KD	7	†86⅞	87⅞	0	+0½	10.47
CCCE 8⅛ 91 KD	10	†81½	82	0	+5⅛	11.21
Sonatrach 8½ 90 KD	12	†87⅞	88⅜	0	+0⅞	10.56
Akzo 9⅜ 87 LuxFr	500	88⅜	89⅜	−0⅛	−0⅛	11.60
Euratom 9⅜ 88 LuxFr	500	93⅛	94½	+0⅛	−1	11.11
Eurofima 10½ 87 LuxFr	500	98⅞	99⅛	0	−0⅛	10.78
EIB 9⅜ 88 LuxFr	600	95⅛	96⅛	−0⅛	−0⅛	10.86
Volvo 9⅜ 87 LuxFr	500	90⅛	91⅛	0	+0⅛	11.77

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	†99	99½	2/7	16⅝	16.75
Bk. of Montreal 5¼ 90	0¼	99⅜	100⅛	18/6	19½	19.57
Bank of Tokyo 5¼ 89	‡0⅛	97⅞	98⅛	25/1	13.94	14.24
BBL Int. 5 86	0⅛	98	98½	20/5	16½	16.79
Barclays O/S Inv. 5 90	0⅛	†101	101½	13/6	20⅛	19.88
Bergen Bk. A/S 6 89	‡0⅛	97⅞	98⅜	29/2	18.19	18.54
BNP 5½ 88	0⅛	98½	99	29/1	14.44	14.62
CNT 5¾ 86	§0¼	97½	98	16/4	13⅛	13.55
Citicorp O/S F. 84	‡0	99⅛	99⅝	31/1	18⅛	18.49
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Jan. 9 ...	n.a.	n.a.	n.a.	n.a.
Jan. 2 ...	n.a.	n.a.	n.a.	n.a.
High '81...	n.a.	n.a.	n.a.	n.a.
Low '81...	n.a.	n.a.	n.a.	n.a.

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	725.4	1,617.7
Previous week	937.6	2,646.8
Other bonds		
Last week	515.7	263.3
Previous week	198.9	239.7

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. *Change on week*=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless *otherwise* indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First *date for conversion into shares.* Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage *premium* of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit *Lyonnais; Commerzbank* AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; *Kredietbank Luxembourg*; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody *International*; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; *Societe Generale Strauss* Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on January 9

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

AUSTRALIA

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.82 (Discount of 31¼%)

BRAZIL

TEL AVIV

Indices

NEW YORK —DOW JONES

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	Jan. 2	1980/81 High	1980/81 Low	Since C'mpil'tn High	Since C'mpil'tn Low
●Industr'ls	968.69	965.70	980.89	1004.69	992.66	972.78	1004.69 (6/1/81)	739.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	64.67	64.74	65.08	64.65	64.35	63.95	76.61 (23/6)	60.96 (18/12)	—	—
Transport..	384.82	383.24	391.19	402.89	406.77	401.45	425.68 (28/11)	258.69 (27/3)	425.68 (28/11/80)	12.232 (8/7/32)
Utilities	112.85	114.02	115.19	117.16	117.81	116.12	117.81 (5/1/81)	95.04 (27/3)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's†	50,190	55,550	92,890	67,400	58,710	28,[illegible]	—	—	—	—

●Day's high 977.05 low 957.76

Ind. div. yield %	Jan. 2	Dec. 26	Dec. 19	Year ago (approx)
	5.59	5.65	5.82	6.03

STANDARD AND POORS

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	Jan. 5	Jan. 2	1980/81 High	1980/81 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls ...	151.72	151.09	155.45	157.02	156.86	166.70	160.96 (28/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
§Composite	133.48	136.06	135.08	138.12	137.97	136.54	140.52 (28/11)	98.22 (15/2)	140.52 (28/11/80)	4.40 (1/6/32)

	Jan. 7	Dec. 31	Dec. 24	Year ago (approx)
Ind. div. yield %	4.39	4.36	4.36	5.22
Ind. P/E Ratio	9.52	9.56	9.57	7.78
Long Gov. Bond Yield	11.52	11.66	11.75	10.27

N.Y.S.E. ALL COMMON

Jan. 9	Jan. 8	Jan. 7	Jan. 6	1980/81 High	1980/81 Low
76.44	76.20	77.29	79.14	81.02 (26/11)	55.30 (22/3)

Rises and Falls	Jan. 9	Jan. 8	Jan. 7
Issues Traded	1,896	1,922	1,941
Rises	908	567	216
Falls	629	1,022	1,560
Unchanged	359	333	165
New Highs	—	24	12
New Lows	—	16	26

MONTREAL

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	1980/81 High	1980/81 Low
Industrials	569.25	564.73	568.67	576.09	423.80 (25/2)	323.51 (27/3)
Combined	550.95	548.29	551.49	567.75	578.96 (20/10)	298.98 (27/3)
TORONTO Composite	2261.2	2248.5	2265.3	2319.4	2402.2 (28/11)	1702.6 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Citicorp	740,900	23⅞	−¼	LTV	464,500	18⅜	+¼
Warner-Lambert	739,300	23⅝	+2⅝	Texaco	449,400	45⅝	+⅜
Hobart	733,500	32⅝	+⅝	Burlington North	422,400	61¼	−⅜
SCA Serv.	556,400	15	+⅞	K. Mart	410,200	19⅞	+½
Union Oil	468,500	41⅞	−1⅛	Pittston	401,900	24⅞	−¼

	Jan. 9	Jan. 8	Jan. 7	Jan. 6	1980/81 High	1980/81 Low
AUSTRALIA						
All Ord. (1/1/80)	712.1	718.4	727.9	726.3	746.2 (17/11)	509.1 (8/1/80)
Metal & Minrls. (1/1/80)	710.0	718.5	735.2	755.0	818.0 (17/11)	492.5 (26/3)
AUSTRIA						
Credit Aktien (2/1/62)	64.80	65.70	65.68	(c)	69.40 (7/1/80)	64.80 (9/1/81)
BELGIUM						
Belgian SE (31/12/63)	83.17	82.62	82.42	82.81	105.75 (11/2)	82.42 (7/1/81)
DENMARK						
Copenhagen SE (1/1/73)	97.14	97.14	98.07	98.09	98.35 (4/11)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	104.8	104.6	105.4	106.8	120.3 (5/11)	97.1 (3/1/80)
Ind Tendance (31/12/80)	96.4	96.1	97.1	99.2	100.0 (31/12/80)	96.1 (6/1/81)
GERMANY						
FAZ-Aktien (31/12/58)	222.94	224.26	225.28	226.13	258.89 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	689.5	694.9	698.1	706.0	749.2 (25/2)	667.0 (27/3)
HOLLAND						
ANP-CBS General (1970)	86.2	86.4	87.4	87.6	89.5 (21/11)	74.0 (27/3)
ANP-CBS Indust. (1970)	64.9	65.0	65.7	66.6	68.2 (11/1/80)	58.2 (26/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1605.68	1570.04	1610.56	1604.68	1654.67 (13/11)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	175.76	174.57	176.61	175.56	183.16 (4/11)	65.11 (2/1/80)
JAPAN						
Dow Average (16/5/49)	7248.13	7222.14	7200.77	7157.69	7284.15 (8/1/81)	6475.93 (27/3)
Tokyo New SE (4/1/68)	504.65	503.03	501.01	496.25	504.66 (9/1/81)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	116.9	117.85	118.07	116.98	144.70 (14/2)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	688.71	662.46	687.38	671.29	721.70 (21/11)	429.75 (3/1/80)
SOUTH AFRICA						
Gold (1958)	760.7	770.7	757.6	809.8	1026.1 (22/9)	499.5 (18/3)
Industrial (1958)	612.2	610.2	608.7	602.3	660.6 (5/11)	456.0 (2/1/80)
SPAIN						
Madrid SE (30/12/80)	102.20	102.40	102.01	(c)	102.40 (9/1/81)	100.0 (30/12/80)
SWEDEN						
Jacobson & P. (1/1/58)	421.07	427.87	426.99	(c)	427.87 (8/1/81)	334.72 (17/1/80)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	301.2	302.9	308.6	305.8	317.9 (11/2)	276.0 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	156.7	160.5	162.5	164.6 (20/11)	120.5 (27/3)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u unavailable.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Building and Civil Engineering

Cartwright starts off with £12m worth

WITH new contracts approaching nearly £12m, and just getting under way, the Joseph Cartwright Group reports that it has made a good start for 1981. The largest award valued at over £5.3m is for the construction of a district office and area depot at Ashton-under-Lyne for the North Western Electricity Board.

The 7½-acre site will provide open-air storage for materials and parking for 360 vehicles in addition to the buildings which will provide 6,200 square metres of workshops and stores at ground level and 2,000 square metres of offices, restaurant and ancillary accommodation at first floor level.

Walls and roofs will be highly insulated for the conservation of energy. Windows in the offices will be double glazed and vehicle doors to the workshops will have automatic closing mechanisms to reduce heat loss.

The architects are John Gayffen Associates of Oldham.

Also in the Manchester area the company is to carry out alterations under a £481,000 contract to a former post office in St. Petersgate, Stockport, which is to be a new area headquarters for the Royal Automobile Club.

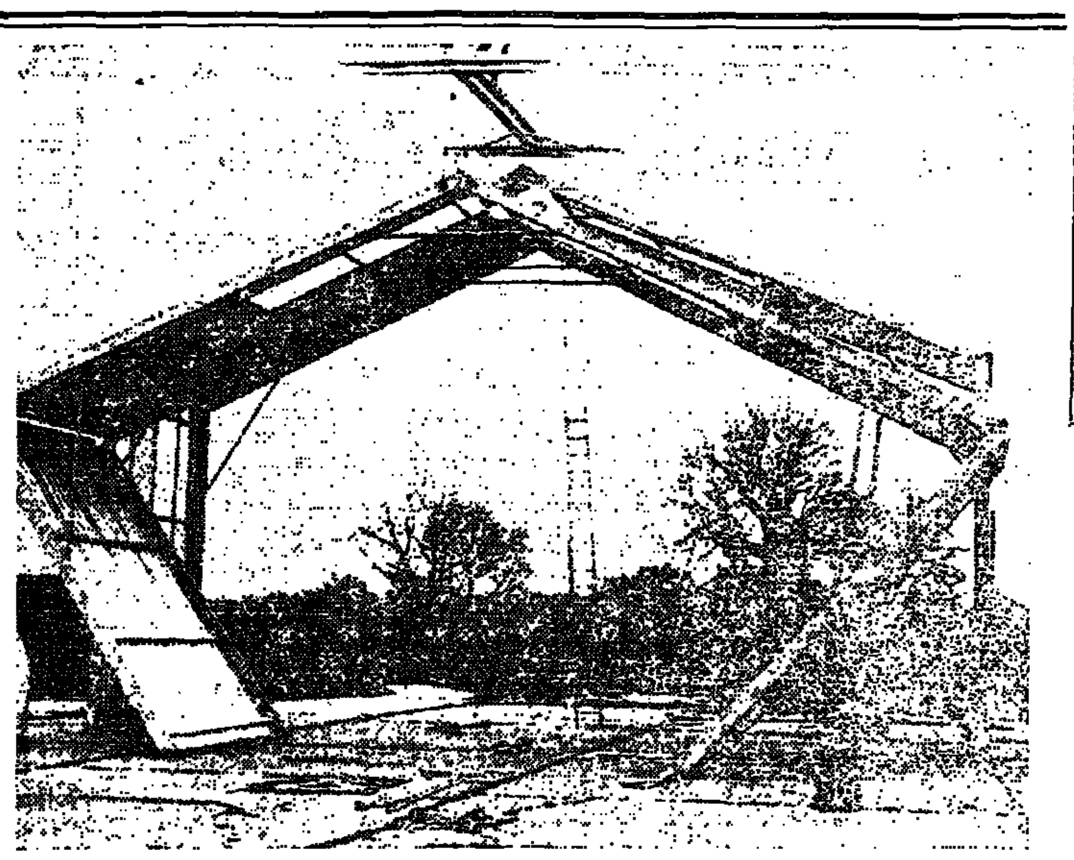
Other contracts awarded to the company include the modernisation of 134 houses for the Calderdale Borough Council (£874,000), alterations to warehouses at Yeadon Airport for York and District Investment Company (£147,000) and the construction of offices and warehouses at Armley, Leeds, for J. Cartwright Developments at a cost of £300,000.

In the south, Bath-based member of the group, Hayward and Wooster, has also gained a number of projects.

Under two contracts, together valued at £2.4m, the company is to construct 14 advance factory units at Cwmfelinfach and Bridgend. Also in Wales the company has been awarded a contract valued at £1.2m for the construction of 53 dwellings at Piligwenly for the Newport Borough Council. These will be constructed using the Riley Form system.

In Bristol the Royal Insurance Company has placed a £215,000 order with Hayward and Wooster for the general upgrading of its Corn Street offices, while Bath City Council has awarded the company two contracts totalling about £528,000 for the construction of a storage depot at Newton Road, and 15 flats at Morford Street, Bath.

Two contracts have been awarded by Area Health Authorities. For Dorset, the company is to build a health centre at Sturminster Newton valued at £272,000 and for Wiltshire, internal alterations to the paediatric unit at the Bath Royal United Hospital is estimated to cost £83,000.



George Cohen Machinery is now offering this "folding building" which can be used as a workshop, for storage or similar purposes. It has a conventional pitched roof, is 4.26 metres to the eaves, 12.20 metres wide and can be made into any length by multiples of three metres. It has been designed for erection by George Cohen Machinery on customers' preformed foundations.

Awards to Wates

ENTERING THE new year with a wide range of refurbishment contracts, Wates has already started work in Floral Street in London's Covent Garden.

Bertorelli Brothers has contracted for the refurbishment and extension of a four-storey building to provide restaurants at the basement and ground floor levels here, although the upper floors will be formed as offices, and two new floors added at roof level to provide four maisonettes.

The work will take about 63 weeks to complete and is valued at £603,000. Wates says the contract has been won in competitive tender.

Industrial refurbishment for Sun Printers at its Watford plant is scheduled for completion by January next year and includes the raising of the roof level with associated cladding and the reconstruction of the ground floor. This will use 260 tonnes of new steelwork and substantial concrete bases placed at depths of 14 feet. The plant will remain in operation during the term of the £912,000 contract.

£6.4m plant ordered

A NEW £6.4m plant for Becton Dickinson Vaccutainer Systems is to be built at Belliver Industrial Estate, Plymouth by Wimpey.

The 16,600 square metre plant will include a cobalt sterilisation unit and will have structural steel framing with lattice roof members and patent metal insulated walls and decking and in-situ concrete floors.

Included will be an office block of about 2,250 sq metres with reinforced concrete framing and precast concrete plank mezzanine floor and roof. The external walls will be double glazed curtain walling with concrete block and patent internal partitions.

This contract follows the site preparation and external works which is being completed by Wimpey, making the overall value of work about £7.3m.

Consultants are Peter Legge and Associates of Dublin.

In Newcastle, Wimpey has won three contracts jointly valued at about £700,000 for alterations, additions and installations of sophisticated services in three police stations for the Northumbria Police Authority.

The work at Sunderland, Byker and Cramlington comprises extensive internal alterations to flooring, walls, entrances and windows, installation of new walls, suspended ceilings and floor finishes.

Work to accommodate computerised communication systems will be carried out in all three stations. This will include the preparation of roofs for air handlings units, provision of air conditioning systems and ancillary work including bulkheads, humidifier units and so on.

The architect is J. T. Smith, the quantity surveyor J. A. Kerr, and mechanical and engineering consultants are Cairns and Byles.

Overseas, Wimpey Laboratories, in association with its local partner EDA Investments Pty and Arman Larmer Surveys Pty, has been awarded a contract by the Government of Papua New Guinea to carry out a hydrographic survey of Orangerie Bay.

Wimpey says that Orangerie Bay has never previously been charted and the contract will provide data for the compilation of navigational charts. Value of this award is US$¼m.

£12m Spanish contracts

THE SPANISH member of the John Laing Group Laing SA has been awarded contracts worth about £12m.

In Madrid, the company is to build 196 homes in two blocks of reinforced concrete frame construction with brick-work cladding, for Co-operative Roncalli under a £4.5m contract due for completion within 18 months. Also in Madrid, work has started on a £3.8m project for the modernisation of the Mostoles Hospital for the Spanish Ministry of Health. This is due for completion early in 1982.

At Valladolid, 200 km to the north-west of Madrid, a £2.5m municipal football stadium is being built for the City Council. The 30,000 spectator stadium is to be completed by November next year as part of the preparations for the 1982 World Cup. It will have a parking area of about 80,000 square metres.

In Southern Spain, an £810,000 urbanisation project for Grand Estates SA at Marbella, involves the installation and commissioning of water mains, sewers and other services and the construction of roads serving the Atalaya Estate.

Work for Miller Buckley

A NEW pump house and associated site works at British Rail's coach sidings at York worth £346,000 is one of two contracts, together worth about £1¼m, just announced by Miller Buckley Construction.

Other work includes a contract worth £910,000 for Merck, Sharp and Dohme at this company's Cramlington site in Northumberland. This provides extra warehousing and will also include alterations and refurbishment of various buildings as well as the construction of a store and link block.

Both projects are due for completion in autumn this year.

Spreading its wings

AN extension to the Cable and Wireless Telecommunications Centre in Bahrain is to be built by H. Webb Construction in association with Ahmed Mansoor Al A'Ali. Value of the contract is £8m.

The 8-storey steel-framed extension will have reinforced concrete cladding and has been designed to allow for future expansion.

In the UK the company has received a letter of intent from the Queens Moat Houses Group to design and build a 50-bedroom extension to the Waltham Forest Hotel and renovate an old property in Brentwood, Essex. Total value of the works is £1m.

Webb (Construction) says it is to purchase 51 per cent of the shares of Hi-Force Construction Co. Pty of Perth, Western Australia. Completion is due on January 31, 1981. The latter company is involved in civil engineering and building work for the mining and oil industries of Western Australia and will give Webb a foothold in this area.

In the U.S. Webb is purchasing for U.S.$15m a 300,000 sq ft freehold office block at 111 John Street in downtown Manhattan, New York City. The 27-storey building is two blocks away from the new Insurance Exchange, and the deal includes a parcel of adjacent land for the building of a 200,000 sq ft office development. Agent acting for Webb is Jones Lang Wootton.

Hotels by Lesser

DESIGNS for two hotel projects for the First Hospitality Corporation of America are being prepared by Lesser Design and Build. The hotels will be at Milton Keynes and at Edinburgh Airport and the contracts will be worth £3m and £4m respectively to Lesser.

The company has already started work on the site of a 110-bedroom hotel at High Wycombe, Bucks. for Crest Hotels. Value of this is believed to be around £2m. Another job under way in High Wycombe is a £400,000 office block for Savills.

Lesser has just moved its headquarters fom Hounslow to Teddington.

£75m port project

DEVELOPMENT of a fisheries port complex near Basrah is to be undertaken by Iraq's Ministry of Agriculture and Agrarian Reform.

Piling Design Consultants of 73, Wimpole Street, London, have been appointed as consultants for the scheme which it is estimated will cost over £75m.

The project calls for the construction of 600 metre long deep water berths and associated works including dredging, filling, approach roads, storage facilities, services, cranes and other handling facilities. International tenders are likely to be invited in the second half of this year.

Quaker Oats grows

SPECIALIST IN industrial and commercial construction, Hewgate of Aylesbury, has commenced work on a new development for Quaker Oats at the latter's headquarters in Southall, Middx.

This comprises a 60,000 sq ft human foods warehouse which will be built to stringent hygiene requirements, together with a seven-storey escape staircase and new entrance and reception area in existing premises. There will also be alterations to buildings and services together with extensive site works.

The project was originally designed by Hewgate in a design/build competition and subsequently won in limited tender. Value of the contract is £1.8m.

NEWS IN BRIEF

- Farrow Construction (Northern) — a Lovell Construction company—has won contracts worth about £700,000 to provide a new production department for Cheshire County Newspapers at Warrington, improvements to Bolton General Hospital, and alteration of a Carlisle clothing store for the Burton Group.
- British Airways is extending its general services and engineering base at Heathrow Airport with steelwork provided by Graham Wood Structural under a contract valued at £195,000.
- Former textile factory built in the late 19th century in Market Harborough, Leics., is to be converted to local council offices, library and museum under a contract worth nearly £1m won by John Laing Construction.
- The Property Division of John E. Wiltshier and Company is undertaking the development of two retail units at 100-102 Sandgate Road, Folkestone, Kent. Architects are Dahl and Cadman

UK NEWS

£1bn tax lost to black economy, says builders

By Andrew Taylor

TAX CHANGES to prevent losses to the Exchequer estimated at £1bn a year, from builders in the black economy avoiding tax, have been proposed by construction industry employers.

The suggestions are in a joint memorandum on the spring Budget to the Chancellor, which is mainly a plea to the Government to stop cutting capital expenditure on construction to control public spending.

It is prepared jointly by the National Federation of Building Trades Employers; Federation of Civil Engineering Contractors; Committee of Associations of Specialist Engineering Contractors; and the Export Group for the Constructional Industries.

Government figures, it says, show that tax avoidance or evasion in the black economy cost £2bn-£3½bn a year in lost taxes.

The authors of the memorandum believe that about a third of this may be in construction activity.

Many bona-fide contractors lose business to less repuable elements operating on a "cash-and-no-questions-asked" basis.

"The situation is most disturbing and objectionable". In construction "certain features . . . notably the 15 per cent VAT charge on building repair and maintenance work are seriously aggravating the problem."

It is suggested that VAT could be removed from building and repair. Or private householders could have tax relief on such work by "bona-fide builders" only.

Relief would then be obtainable only on work by builders holding Inland Revenue exemptions, known as 714 Certificates. This would put pressure on householders to use builders known to the Inland Revenue. A similar system exists in the Irish Republic, say the employers.

Other proposals include higher limits on home loans eligible for mortgage tax relief from £25,000 to £50,000; raising "trigger-point" for stamp duty on house purchases from £20,000 to £36,000; widening scope for 100 per cent capital tax allowances, eventually for all commercial buildings; and reduced development land tax impact on gains to "bona-fide developers."

The winners and losers in the great rates race

Robin Pauley looks at the anomalies in the new block grant system for councils.

SPELTHORNE in Surrey and Allerdale in Cumbria have almost identical populations and *the Government's assessment of* the amount each of them will need to spend in 1981-82 to provide a standard level of services *is almost the same—about* £4m.

If Spelthorne were to spend more than the Government *thinks necessary its grant would* diminish. Its grant would, indeed, disappear altogether if the council spent 50 per cent more *than its limit.*

If Allerdale overspends, on the other hand, it will continue to receive increasing central *government funds however great* its expenditure. If it were to spend twice what the Government estimates it needs to spend Allerdale would receive £4m in grant (compared with only £2.56m if it spends at the assessed level). Whatever its expenditure the Government would still be providing 49 per cent of Allerdale's cash.

This is one of several features of the new block grant systems *of distributing grant to councils* which have been analysed in a working paper by Mr. Tony Travers, of North East London Polytechnic. They are not isolated anomalies, but typical examples of the new system, which has been described as *absurd by all local authority* associations.

The wild disparities are the result of the difference in the *rate base and the effect within* the new system of high rateable values. As the graphs show, an authority with large resources *like Spelthorne or Camden* will do proportionately better if it can manage to spend less than the Government's assessment of *its spending need* (the grant related expenditure or GRE figure). Poorer areas like Lewisham or Allerdale get a completely different result out of the mechanisms: their grant falls if they underspend but rises if they overspend the GRE level or the tolerance threshold (10 per cent).

These authorities are given a positive incentive to overspend by the system, and authorities *in this situation form the* majority of English councils.

All over the country councils face similar inconsistencies in the relation between grant and expenditure. Some will receive much more grant than last year, others much less and the results *generally appear arbitrary.* The effect on the ratepayers will be to give some authorities no alternative but to levy relatively large rate increases in March; other councils will be able to make only small increases.

The disparity will be great as *are the changes* in grant allocation, although the Government has been trying and failing all year to avoid this.

"Much of the peculiar pattern of grant incentives will be defended by the Government in the name of rate poundage equalisation. This is very misleading and the Government abandoned poundage equisation in London some years ago," Mr. Travers writes.

An extraordinary feature of the block grant system has been that it provides that some authorities will receive no grant *at all if they spend very much* more than the Government thinks they should spend.

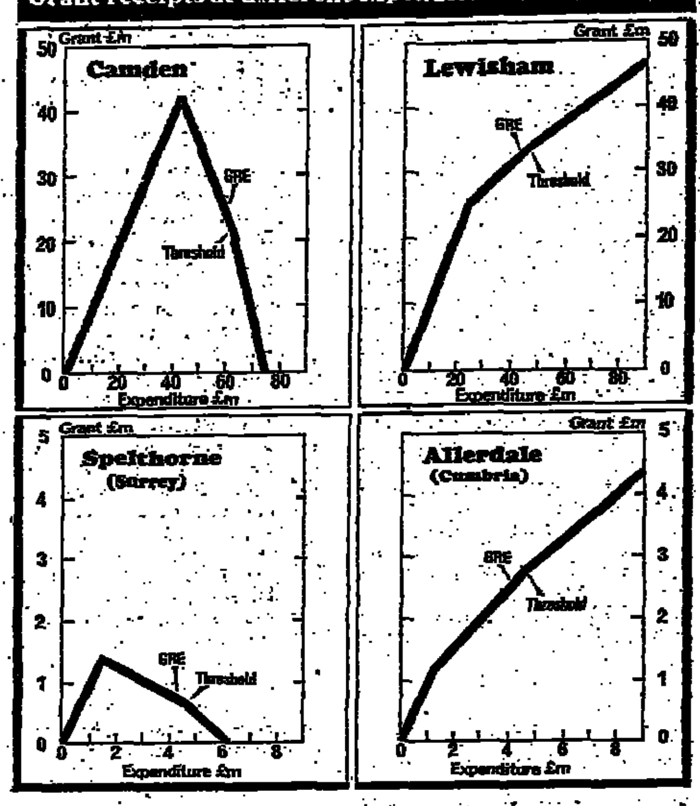
When the scheme was introduced it never occurred to the Government, nor anybody else, that this could happen. But a mood is developing among Labour groups in inner London, *and particularly on the Inner* London Education Authority, that it might be an advantage to dispense with the grant and therefore to avoid Government interference.

If the Inner London Education Authority spent at its GRE (£468m) *in 1981-82 it would* get £141m in grant. It is planning to spend £694m which will cut its grant to £7m, and the *Labour Left is pushing hard for* this grant to be relinquished by a small growth in spending plans to £702m, which it regards *as a small increase to pay for* independence.

Throughout the year, the block grant system has been held up as a method of controlling and preventing high levels of spending. Until very recently Lady Young, junior Education Minister, has been saying that the answer to cutting the ILEA's high spending (a key Tory aim backed particularly strongly by Mrs. Thatcher) lies in the block grant.

Block grant distribution in 1981-82; Working Papers on Institutions No. 21; Tony Travers, North East London Polytechnic.

Grant receipts at different expenditure levels 1981/2



People's Bank to appeal for recognition

By Michael Lafferty, Banking Correspondent

A SMALL Bradford-based institution, known as People's Bank, is appealing against the Bank of England's refusal to grant it the status of a recognised bank, to a public tribunal, nominated by the Chancellor of the Exchequer.

Without recognition, People's Bank will have to remove the word "bank" from its name. This will be the first case to be heard under the appeal provision of the 1979 Banking Act.

It is understood that the Bank of England is willing to accord People's Bank only the lower status of a licensed deposit-taker.

People's Bank is a subsidiary of the Provident Financial group, which was originally founded on a cheque-trading business. It has eight branches.

People's Bank says it offers a full range of personal banking services, including current accounts with cheque guarantee cards. It pays 2 per cent interest on credit balances on current account, and levies no bank charges.

Mr. Peter Hogg, chairman of People's Bank, said he believed that his company provided a valuable banking service.

"We want to retain the name '*People's Bank,*' which has been around since 1894," he added. People's Bank had total assets of £100m and *shareholders' funds* of £8m.

The tribunal hearing the case consists of Mr. A. Heyman, QC, who will be chairman, Mr. A. I. F. Goldman, senior partner of a large firm of solicitors, and Mr. Michael Coates, senior partner of Price Waterhouse.

The hearing will be held on January 15, 16 and 21 at 34, Parliament Street, London.

People's Bank is one of 39 institutions whose applications for one of other status under the Banking Act were outstanding when the Bank of England published a list last December 22. Other names include Bankamerica Finance, a subsidiary of Bank of America of California; Commercial Bank of Wales; Sir Julian Hodge's bank; Ghana Commercial Bank; Jammal Trust Bank; Provincial Bank of Ireland; Rossminster; and the Lucas Employees' Savings Bank.

Retailers still pessimistic despite buoyant trading in the sales

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

RETAILERS are generally still pessimistic about their prospects for much of 1981 in spite of the buoyant start to the year from the bargain sales.

Their pessimism is due to *fears that until the economic* recession shows signs of ending, consumer confidence will stay at a very low level.

"*Few retailers can be at all* optimistic in the present economic climate," says Mr. Richard Weir, director of the Retail Consortium.

The consortium is seeking a meeting with the Chancellor to press for special measures in the Budget to help the retail trade.

Mr. Roy Stephens, chief executive of Selfridges, predicts that "spring will be a difficult time for retailers." This is in spite of Selfridges reporting sales up by more than 18 per cent last week, the second week of its bargain sales.

The sales have generated considerable enthusiasm by shoppers, even leading to scuffles in some departments of Harrods on Saturday on its first day.

Harrods was the last major London store to start its sales this year and first reports suggest it had more than 300,000 *customers on Saturday who* spent a record £5m.

Many other stores, which started their sales straight after *Christmas, have also reported* record takings. The John Lewis Partnership, for example, says sales after Christmas were about 58 per cent up on the same week last year.

Stores have been helped by the prolonged Christmas holiday for large sections of the workforce, and by those already made redundant spending their redundancy money.

But some leading retailers, as well as City analysts, are privately expressing scepticism about the sales claims made by some stores. The City is also worried that the low profit margins of most retailers

Retailers' fears for the future are based on the fact that unemployment is still rising as well as the current level of wage settlements being below *the rate of inflation, which will* further depress consumer spending in the shops.

Depressed consumer expec*tations for 1981 are also shown* by the regular monthly Financial Times survey of consumer confidence. The *index of future confidence* last month fell sharply to minus 31 per cent. Only 18 per cent of the 1,000 consumers surveyed expected conditions to improve in 1981, while 49 per cent thought they would get worse.

The tough trading conditions facing retailers could, however, lead to improved productivity. Mr. Roy Stephens of Selfridges believes the boom times for retailers in the past few years have led to a decline in the selling ability of staff. The store is giving its staff intensive training over the next few weeks — including video presentations of correct selling techniques

Wages cut fails to save jobs

MOST WORKERS at a Yorkshire wool mill who accepted a 10 per cent wage cut to save their jobs are to be made redundant because trade has continued to decline.

About 80 per cent of the *employees of* William Denby and Sons, dyers and finishers, of Baildon, Bradford, voted for less pay in a ballot in September. They have been told that 150 workers will have to go in March, leaving 100. Fifteen years ago, 500 worked at the mill.

The 10 per cent wage cut has been restored to ensure that full redundancy payments are made.

Mr. James Ruddy, the company's chief executive, who also accepted a pay cut in September, said yesterday: "The workers are very upset about it but they were not over-surprised.

Mr. Ruddy said he was still confident the company would survive but it would be a lot smaller.

Optimism grows over interest rates cut

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CITY ANALYSTS appear increasingly optimistic about the prospects for a slowdown in the rate of monetary growth and for a reduction in interest rates this year.

The latest batch of stock*brokers' circulars shows growing* confidence that, in spite of the rise in public sector borrowing caused by the recession, the monetary outlook should be much more favourable than last year.

This is mainly because bank lending to the private sector is expected to increase more slowly than last year.

Stockbrokers Laing and Cruickshank, for example, believe that Minimum Lending Rate will be cut by one percentage point from 14 per cent during the first three months of this year, with a further drop to a floor of 10 per cent likely by the end of the year.

Brokers Fielding, Newson-Smith and Co. argue that the major slowdown in the growth of sterling M3, the broadly defined money supply, must await the trough of the recession

*When this happens the slow*down could be quite as dramatic and unexpected as its acceleration last year.

The Government should not resist *the* slowdown *by* too sharp a reduction in interest rates or premature fiscal refla*tion. The brokers expect* an MLR low of 10 per cent.

The Laing and Cruickshank review provides a wide-ranging analysis of the *economic* outlook. The brokers are critical of the present approach to monetary and fiscal policy, in particular, the official view of the determinants of monetary growth.

The review states that "the structural shift from the non-oil to the oil sector and the transfer of incomes from profits to wages will continue, but at a less devastating pace. Both are avoidable, but there is little evidence of any policy change which would reverse the process."

Lorry sales 'will continue to fall'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

COMMERCIAL vehicles sales could fall by a further 8 per cent this year to about 240,000, the Society of Motor Manufacturers and Traders estimates.

Last year sales fell 11.4 per cent compared with 1979, to 266,219.

The overall statistics disguised to some extent the severe problems at the heavy end of the business. Registrations of vehicles over 3.5 tonnes fell by 23 per cent. from 79,856 to 61,301. Sales of purpose-built vans and four-wheel-drive vehicles increased from the 1979 totals.

The year ended badly for the heavy vehicle business. In December the market was 47 per cent down on the same month a year previously, at 2,805.

Reflecting the benefits the high value of the pound gives to marketing strategy for importers, the society's figures show that imports increased their share of the total market slightly last year from 23.2 to 24.4 per cent.

The Japanese did well, pushing up their penetration from 7.7 to 9.9 per cent and putting most of the emphasis behind purpose-built vans.

Ford strengthened its position as Britain's top-selling commercial vehicle maker and achieved its highest-ever market share of 32.9 per cent.

Ford sold 87,838 commercials, only 4.1 per cent down on its 1979 record level.

The company claimed that its Transit van set a new record annual volume of 46,852 units, making it Britain's best-selling commercial, accounting for more than one in every six commercials sold last year.

BL, in second place in the market with 21.4 per cent, sold 56,870 commercials compared with 66,132 in the previous year. Of the totals, Leyland Vehicles, the heavy vehicles subsidiary, contributed 10,616 last year and 13,804 in 1979.

Bedford, the General Motors subsidiary, registered last year 57,665 units, compared with 66,132 in 1979.

Dodge, the Peugeot offshoot, sold 15,500 commercials last year, including units from France and Spain as well as the UK, compared with 18,881 in 1979.

The society breaks down the total market into various segments. Registrations of car-derived vans totalled 74,912 (92,585), purpose-built vans were 118,261 (117,488), four-wheel-drive vehicles were 11,745 (10,656), trucks and artics 61,301 (79,856) and buses and coaches 5,792 (5,809).

Temporary Solent home for Short's flying boat

By Lynton McLain

THE LAST of a generation of large passenger-carrying flying boats built by Short Brothers of Belfast is a step nearer a permanent home in British waters. Hampshire County Council agreed on Friday to allow the 37-year-old Short Sandringham flying boat a temporary resting place on the Solent.

The project is the work of a team backed by ICI, British Airways, Eastern Air-lines of the U.S., Reemar, a company specialising in aircraft support equipment, and the Transport Trust.

ICI has said it will supply all the white paint to restore the craft to its former glory. BA has already helped the project team with air fares at "advantageous" rates and Eastern has provided 15 free return tickets for the team from Miami to Puerto Rico, the craft's last resting place.

The Royal Mint at Llantrisant is also involved. Mr. Peter Bolton, the pilot who is leading the efforts to restore the flying boat commissioned the Mint to produce gold, silver and bronze medallions depicting the boat. These are for sale in an attempt to raise about £30,000 towards the £100,000 needed to help restore the craft to flying condition.

Rolls-Royce develops improved jet engine

MY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is developing a version of its Dash 535 engine for use in the new Boeing 757 twin-engined jet airliner ordered by British Airways and Eastern Airlines of the U.S.

Lord McFadzean, *chairman of* Rolls-Royce, says in the company's newspaper that this improved version of the engine "will achieve a performance in airline service to match that promised by our competitors, and we aim to capture a substantial part of what will be a very large market over the next two decades."

Lord McFadzean was reassuring the Rolls-Royce personnel that although the company had recently lost two large orders, from Delta Air Lines and American Airlines, to its rival Pratt and Whitney, the company was neither dismayed nor disheartened.

"Rolls-Royce fought hard to win these orders," he says. "We brought forward our planned future improvements in the 535.

"We made good commercial offers, but clearly the competition must have offered a better package: this must have been costly."

Rolls-Royce was able to offer American Airlines delivery nearly two years earlier than Pratt and Whitney because of its more advanced programme, he says. This would have resulted, on Rolls-Royce's calculations, in fuel savings approaching $50m to American Airlines.

The overall deal with its competitor must have involved some form of compensation to the airline for having to retain their fuel-inefficient engines in service longer than was necessary.

Lord McFadzean says it had always been expected that at least one other engine, and possibly two, would be selected by airlines for the 757. The company should never under-estimate technical competition from the U.S., and it would have been surprising if Pratt and Whitney had abdicated from a segment of the market where they held a virtual monopoly for so long.

Competition is undoubtedly going to be very tough, he says.

"But while respecting the competition, let us not be depressed by some of the advertising. It has been stated that the new Pratt and Whitney engine will save American Air lines an extra 8-10 per cent in fuel costs.

"*The basis of the comparison* is not stated: it cannot be with the RB-211-535-E4 version, on which work has been proceeding for some time."

This improved version of the engine takes advantage of technology developed in the 524 (another version of the RB-211), for the long-range TriStar and the Boeing 747, where substantial fuel-burn advantages are being achieved over the best U.S. versions in service.

Fast growth in printing industry productivity

By Alan Pike

PRINTING and publishing industry productivity grew three times as quickly as in the economy as a whole during the second half of the 1970s, according to a Cambridge Econometrics report published today.

The report indicates that between 1975 and 1980 the industry's productivity rose by 18 per cent against an average of 6 per cent. But it expects depressed market conditions to preclude much further productivity growth before next year.

Like previous forecasts, the *report concludes that in spite* of bright long-term prospects for productivity, the industry continues to face problems on the sales side. Exports are *severely depressed by the* sterling exchange rate, overseas competition and balance-of-payment problems in customer countries of the Third World.

Exports are not expected to recover to 1980 levels before 1990 and in book printing—the most export-oriented and currently most depessed sector *of the industry—output in 1987* is forecast to be 1 per cent lower than the 1980 level.

By contrast, the report expects output of manufactured *stationery to rise by 15 per cent* by 1987 and forecasts that general printing and publishing will do equally well.

Brokers Hedderwick cleared of charges

BY REG VAUGHAN

LONDON stockbrokers Hedderwick Stirling Grumbar have been cleared by the Stock Exchange's disciplinary committee of alleged infringement of Stock Exchange rules relating to lending practices in government securities.

Charges had been made against Mr. Ralph Hedderwick, the former senior partner, his *successor* Mr. Wallis Hunt and Hedderwick partner Mr. Peter Kay.

This decision comes just a month after the Director of Public Prosecutions decided not to recommend charges against the firm following a City of London Fraud Squad probe

Mr. Robert Fell, chief executive of the Stock Exchange, said yesterday a report of the disciplinary committee's findings would be considered by the full council of the Stock Exchange at its next meeting on January 20. A statement would be issued *at that time if it was* felt to be appropriate, he said. The full council generally accepts the findings of the disciplinary committee.

The Stock Exchange first announced on July 1 that it was looking into allegations that Hedderwick had lent gilt edged stock to Wedd and Owen, the specialist gilts jobber which had ceased trading a week earlier. Hedderwick is not a designated money broker under Stock Exchange rules.

Reporter will appeal in Goldsmith action

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR. MICHAEL GILLARD, a television reporter, will appeal today against a High Court jury's rejection of his claim for libel and slander damages against Sir James Goldsmith.

In the five-day hearing in June Mr. Gillard complained that Sir James made allegations *to four national newspaper* editors and repeated in a letter to Mr. William Deedes editor of the Daily Telegraph, that Mr. Gillard had "blackmailed" Mr. John Addey, a public relations consultant, into giving him information for use in Private Eye about Sir James' solicitor, Mr. Eric Levine.

Sir James denied malice and claimed that the allegations were true.

The appeal will be heard by a court headed by Lord Denning, Master of the Rolls.

INSURANCE

EEC solvency directive ends era of 200 years

BY ERIC SHORT

THE INSURANCE Bill, introduced in Parliament just before the Christmas recess, marks the end of an era in UK life assurance operations. It prescribes *for the first time specific* solvency margins for insurance companies' long-term business.

For more than 200 years, since William Morgan of Equitable Life made the first scientific valuation of life business, the sole responsibility for certifying solvency, life business rested with the actuary of the insurance company.

All that is required at present is the actuary's signature that the value of the liabilities does not exceed a stated figure.

The solvency margin represents the excess of the value of assets over the value of liabilities. Because of the long-term *nature of life* and pensions business, the actuary's role is to calculate the value of liabilities having regard to the nature of assets. Effectively, the actuary *does a series of discounted* cash flow calculations, allowing for future mortality, future investment returns on the existing portfolio, new money, future expenses, and so on.

The solvency margins are contained in the assumptions made by the actuary when calculating the liabilities.

He assumes a lower rate of interest than is likely to be earned and stringent mortality assumptions. No specific figure is ever given for the solvency as such.

The EEC life directive sets out that insurance companies will calculate and show on *theier returns* to the insurance authorities a specific figure for a solvency margin calculated on prescribed formula. Effectively, the directive states that the *value of a life* company's assets must exceed the value of liabilities by at least this margin if it is to continue trading.

The formulae set out are complex. For *mainstream* conventional life business, it is 4 per cent of actuarial reserves, plus 0.3 per cent of the sum at risk.

For linked business with no investment *risk and no expenses* guarantee, the margin is 0.3 per cent of the sum at risk. Life companies can offset only 50 per cent of reinsurance in calculating *the sum at risk* and 15 per cent of reinsurance on the reserves.

The theory is that a reinsurer could go insolvent. The minimum solvency *margin* is £500,000.

For long established conventional life companies, the change is a mere irritant for those with a high proportion of with-profit business. The actuary's absolute power is eroded and another layer of *administration* is *added* in preparing official returns.

There is the danger that the actuary could be pressured by other members of the company to distribute all profit above the official solvency margin on the grounds that if this is regarded as adequate by the authorities, there is no need to hold back any further surplus.

In practice, the actuary should be able to convince his Board that his judgment is paramount in *deciding what* surplus *to* distribute to policyholders and shareholders.

The directive has a much bigger impact on linked life companies. If a conventional company runs into trouble, it first cuts its bonus rates and remains solvent. A linked life company has no such first line of defence.

Many linked companies are small and manage to trade profitably on low capital *amounts* by reinsuring almost all the death risk and often a large part of he expenses risk.

Now their solvency margin will have to be at least £500,000. That is, the share capital and free reserves must at least equal this amount.

Small linked companies could need substantial capital injections to meet this requirement. They have at least until March, 1984, before they need do anything.

The practical impact of the directive is minimal, but actuaries and life companies were disappointed in its outcome.

The most outspoken view came from the Scottish Provident Institution in last year's chairman's statement. He said the British negotiators had been compelled to make too many concessions to the rigid Continental concept of insurance control.

It was emphasised as essential that any further erosion of the British "freedom with publicity" concept should be kept to a minimum.

One leading actuary referred to the directive as one more stage in the creeping paralysis imposing itself on UK life assurance operations. His fear was that further controls could be imposed on premium rates and investment policies unless the negotiators in Brussels stood firm.

Parliament this week

TODAY

Commons: Fisheries Bill, second reading.

TOMORROW

Commons: Transport Bill, second reading. Motor Vehicles and Heavy Goods Vehicles regulations.

Lords: International Organisations Bill, committee. Social Security (Contributions) Bill, second reading. Northern Ireland consolidation orders.

Select Committees: Foreign Affairs, Overseas Development Sub-committee. (Room 15, 5.15 pm).

WEDNESDAY

Commons: Rate Support Grant motions.

Lords: Debate on International Year of Disabled Persons. Bill of Rights (HL), committee. Short debate on Council of Europe recommendations on schools in Syria and Jordan.

Select Committees: Education. Subject: Funding of the arts. Witness: Mr. Paul Channon, Minister for Arts. (Room 6, 10.30 am). Employment. Subject: Manpower Services Commission corporate plan 1981-85. (Room 8, 4.30 pm). Social Services. Subject: Medical education. Witnesses: Council for Post-Graduate Medical Education in England and Wales; Scottish Council for Post-Graduate Medical Education, University Hospitals Association. (Room 21, 4.30 pm).

THURSDAY

Commons: Supply day debate, subject to be announced. Motions on EEC documents on steel.

Lords: Scottish Order Confirmation Bills, report. Sheep Variable Premium Order. Contempt of Court Bill (HL), committee.

FRIDAY

Commons: Private Members' motions.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	London International Boat Show (0932 54511) (until Jan. 18)	Earls Court
Current	London Racing and Sporting Motorcycle Show (01-226 7001) (until Jan. 18)	Horticultural Halls
Current	Stationery Industry Exhibition — STATINDEX (01-637 7692) (until Jan. 14)	Grosvenor House, W1
Jan. 12-15	Amusement Trades Exhibition (01-228 4107)	Olympia
Jan. 13-15	International Domestic Electrical Appliances Exhibition—IDEA (01-486 1951)	NEC, Birmingham
Jan. 13-17	Catering Equipment, Food and Services Exhibition (01-359 5041)	NEC, Birmingham
Jan. 15-18	Sound and Video Exhibition—HI-FI (01-300 0444)	Excelsior Hotel, Manchester
Jan. 17-25	Caravan, Camping and Leisure Exhibition (04866 6556)	Bingley Hall, Birmingham
Jan. 20-22	Hirex Exhibition (02 27211)	Wembley Conference Centre
Jan. 25-29	International Light Show (025888 396)	Olympia
Jan. 27-29	Electronic Business Equipment Exhibition ELTRONIC (061-928 0406)	Edgbaston Cricket Ground
Jan. 28-31	Business to Business Exhibition (0202 20327)	Met. Exhb. Hall, Brighton
Jan. 31-Feb. 4	British Toy and Hobby Fair (01-707 7127)	Earls Court
Feb. 1-5	International Spring Fair (01-499 7324)	NEC, Birmingham
Feb. 10-13	International Business Computing, Word Processing and Information Management Exhibition (01-647 1001)	Cunard Int. Hotel

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan. 12-16	International Forestry Development, Timber Processing and Woodworking Exhibition—WOOD (021-705 6707)	Singapore
Jan. 15-19	International Furniture Exhibition (01-439 3964)	Paris
Jan. 15-21	Middle East Construction Exhibition (01-935 5200)	Jeddah
Jan. 18-21	Irish Gift Trade Fair (Dublin 681355)	Dublin
Jan. 23-29	International Record and Music Publishing Market MIDEM (01-499 2317)	Cannes

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Jan. 13	Oyez-IBC: Automation in the insurance company—the management implications (01-242 2481)	London Press Centre, EC4
Jan. 14	ESC: Making direct mail work in industry and commerce (057282 2711)	Cumberland Hotel, W1
Jan. 14	Dewe Rogerson/Stock Exchange: Major Technology Symposium (01-638 9571)	Painters Hall, EC
Jan. 14	Financial Techniques: Land Taxes—how to reduce the burden (09323 51991)	Hilton Hotel, W1
Jan. 15-16	MMI Personnel: "10 years on" Employment Legislation for the Smaller Firm (0932 52020)	Runnymede Hotel, Egham
Jan. 19-20	Robert S. First Inc: New Concepts in drug and nutrition delivery systems (Telex 22859)	The Drake Hotel, Chicago
Jan. 20	IPS: Purchase Cost Reduction (0990 23711)	Connaught Rooms, WC2
Jan. 21	ESC: Making Financial savings through energy control (057282 2711)	Gloucester Hotel, SW7
Jan. 21-22	FT Conference: India as a World Trading Partner (01-621 1355)	New Delhi
Jan. 21-22	FT Conference: The Euromarkets in 1981 (01-621 1355)	Inter-Continental Hotel, W1
Jan. 22-23	AMR International: Executive Project Management—The critical skills (01-262 2732)	Kensington Hilton Hotel
Jan. 26-27	AMD: Communication and confidence development for managers (07535 56047)	Runnymede Hotel, Egham
Jan. 26-28	Building Business Unit: Microcomputer Workshop for the Construction Industry — Surveyors (01-353 2300)	Slough
Jan. 27	Institute for Fiscal Studies: Taxation of the Family (01-828 7545)	Royal Institution, W1
Jan. 27	European Study Conferences: Direct investment in oil and gas related tax matters (01-727 51200)	Cumberland Hotel, W1
Jan. 27	CCC: Financial problems in divorce—A seminar for accountants and tax advisers (01-222 6362)	Europa Hotel, W1
Jan. 28	CCC: Stock Relief—The new proposals (01-222 6362)	Inter-Continental Hotel, W1
Jan. 30	Ron Clements Associates: Transactional analysis in organisations (Byfleet 43301)	Basil Hotel, SW3
Feb. 2-4	MSS: Managing Computer Staff (0903 34755)	Worthing
Feb. 3-4	Crown Eagle Communications: Law at work—recent legislation and case law (01-636 0617)	Churchill Hotel, W1
Feb. 5	The Institution of Civil Engineers: Symposium on sensors in highway and civil engineering (01-222 7722)	Westminster
Feb. 5	IPS: Automotive Industry (0990 23711)	Hilton Hotel, Stratford
Feb. 5-6	AMD: Product Innovation and Development (07535 56047)	New Berners Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

TOMORROW

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

WEDNESDAY, JANUARY 14

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

THURSDAY, JANUARY 15

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

FRIDAY, JANUARY 16

COMPANY MEETINGS—

BOARD MEETINGS—

DIVIDEND & INTEREST PAYMENTS—

SUNDAY, JANUARY 18

DIVIDEND & INTEREST PAYMENTS—

APPOINTMENTS

Blundell-Permoglaze chairman

The chairman of BLUNDELL-PERMOGLAZE HOLDINGS Mr. G. B. Smith intends to retire at the annual meeting to be held on March 11. He will be succeeded by Mr. R. L. White.

Mr. Michael A. Wilkinson has been appointed by POWELL DUFFRYN to the new position of resident director in the U.S. This is the first occasion that Powell Duffryn has had a member of the parent Board resident outside the UK. He has been a director since 1970. Mr. Wilkinson, as president of Powell Duffryn (U.S.A.) will be responsible for the general development and expansion of the group's interests in North America. He will take up his appointment in April after an initial period of four years.

Mr. Victor Chambers has become deputy chief executive of ULSTER BANK. Mr. Alex Thompson has been made director of branch banking division and also takes a seat on the Board of the Bank.

Mr. Peter Lunn, a director of Barclays Bank International, has succeeded Dr. Oswaldo Colin as chairman of EURO-LATIN-AMERICAN BANK. Dr. Juan Ocampo, chairman of Banco de la Nación Argentina, has become vice-chairman.

Mr. Paul D. Osborne has been named president of CATALYTIC INTERNATIONAL INC., in London. He becomes the first UK national to head the company. Mr. Osborne succeeds Mr. John Gilmore, who has been assigned as vice president at the home office in Philadelphia with responsibility for the company's activities in synthetic fuels.

Mr. Peter Farnfield has become a director of PEARCE SIGNS (BIRMINGHAM) and Mr. Kevin Reilly has joined the Board of PEARCE SIGNS LTD.

Mr. David W. Livingstone, deputy chairman and managing director of Albright and Wilson, has been appointed a member of LEGAL AND GENERAL ASSURANCE SOCIETY'S Midlands Advisory Board.

Sir Robin Haydon, who has had special responsibility for group public affairs of IMPERIAL GROUP in addition to his position as a non-executive member of the group Board, has been appointed director of group public affairs and relinquishes his non-executive status.

Mr. James H. Higgins has joined the group Board as a non-executive director. Mr. Higgins retires next month as chairman and chief executive officer of Mellon Bank, NA, Pittsburgh, Pennsylvania, US.

The following directors have been appointed by SIMON CONTAINER MACHINERY: Mr. Michael Seymour, finance; Mr. Ken Frost, production; and Mr. Peter Horton, technical. The company is part of the Simon Engineering Group.

Mr. P. L. A. Jamieson has been appointed chairman of STERLING TRUST. He succeeds Mr. W. R. Merton, who has retired as chairman and from the Board. Mr. D. W. J. Garrett has become a director.

Mr. David Skalles has been appointed assistant managing director of G. H. DOWNING AND CO. He was appointed to the Board, responsible for marketing, in June 1969.

Mr. W. J. C. Talbot is now a non-executive director of HEELAMAT HOLDINGS and Mr. J. Goodman has become company secretary for the group and its subsidiaries.

Mr. Alexis Doglewski, formerly with Dillon Read Overseas Corporation, will be joining IBJ INTERNATIONAL on February 1 as a director in charge of Eurobonds. IBJ International is a subsidiary of the Industrial Bank of Japan.

Mr. Hedley W. Whitehead, chairman of the Co-operative Insurance Society, the North Eastern Co-operative Society and Associated Co-operative Creameries has been elected president of the 1981 CO-OPERATIVE CONGRESS to be held in Edinburgh in June.

Financial Times Conferences

INDIA AS A WORLD TRADING PARTNER

New Delhi, India—January 21 and 22, 1981

Trade and joint ventures with India will be one of the principal themes to be discussed at this major two-day conference. Dr. Saburo Okita, Government Representative for External Economic Relations, Japan, and Y. B. Senator Kamarul Ariffin, Executive Chairman, Bank Bumiputra Malaysia Berhad, together with Professor Ogunsoye, Deputy President, Lagos Chamber of Commerce and Industry, and Mr. Louis Companyo, Director, International Operations, CIT Alcatel will be giving their views.

THE EUROMARKETS IN 1981

Inter-Continental Hotel, London—January 21 and 22, 1981

Mr. Peter G. Peterson, Chairman, Lehman Bros. Kuhn Loeb Inc., will be considering the topic "How Can the Developed World Act to Reduce the Recycling Problem?"

All enquiries should be addressed to:—

Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

CONTRACTS AND TENDERS

Republic of the Philippines

NATIONAL POWER CORPORATION

Manila

November 28, 1980

INVITATION FOR BIDS

Sealed Bids, in quadruplicate, plainly marked "BID FOR FURNISHING AND DELIVERING STEEL TOWERS, BODY EXTENSIONS, LEG EXTENSIONS, FOUNDATION STUBS AND TEMPLATES, POWER CONDUCTOR, GROUND WIRES, INSULATORS, LINE HARDWARES, APPURTENANCES AND ACCESSORIES FOR THE COTABATO ELECTRIFICATION PROJECT UNDER THE MINDANAO PRIORITY TRANSMISSION PROJECT, MINDANAO, PHILIPPINES," will be received at the office of the National Power Corporation, Anda Circle, Port Area, Manila, until 10.00 a.m. on January 21, 1981 and then publicly opened.

Plans and specifications, including four (4) copies of the Bidding Form and four (4) copies of the Confidential Statement for Determining Bidder's Responsibility form, are available for issue at the 11th Floor, Offices of the National Power Corporation upon application and payment of Two Hundred and Fifty Pesos (P250.00) for every set secured which is not refundable.

For the information and guidance of those concerned, NAPOCOR will utilise a portion of the proceeds of the Asian Development Bank loan. Participation will thus be limited to Contractors from eligible source countries as stated in the specifications.

Bids must be accompanied by a proposal bond in an amount equal to five per cent (5%) of the bid price. The said bond should be in a form as required in IB-14 of the specifications.

The right is reserved to reject any or all bids, to waive any minor informality in the bids received and to accept such bid which is most *advantageous to the National Power Corporation.*

Address all communications to the Sr. Vice-President, National Power Corporation, Anda Circle, Port Area, Manila.

J. U. JOVELLANOS
Sr. Vice-President

From TURKISH STATE RAILWAYS
Chairmanship of the Central Commission for Purchases, Sales and Tenders

One Slipway System with 300 tons lifting capacity, ***including mechanical equipment shall be constructed at Iskenderun Port of our Administration.***

1—An eligibility certificate shall be provided to applicants upon prequalification on the above subject.

2—The construction of the system shall be financed by IBRD.

3—This invitation is only open to suppliers from member countries of the World Bank and Switzerland.

4—The prequalification documents may be purchased against remittal of U.S.$.50, or corresponding Turkish Liras (4.550, TL according to the latest exchange rate) from cash office at Sirkeci, Istanbul and Central Cash Office, Ankara.

5—Applicants who wish to receive an eligibility certificate in accordance with this invitation must apply in writing to our commission at the Purchasing Department in Turkish State General Directorate, Ankara until 15.00 hours at the latest on March 10, 1981 together with the required documents.

6—Applicants shall place their prequalification documents without fees in a sealed envelope and shall write the related subject on the envelope.

WANDSWORTH CORPORATION
MODIFICATION TO HEATING AND DOMESTIC WATER SERVICES AT WINSTANLEY ESTATE, S.W.11

Contractors wishing to be considered for selection to tender for works at Winstanley Estate, Battersea, S.W.11, should submit names to the Director of Administration, The Town Hall, Wandsworth High Street, London SW18 2PU, by 23rd January, 1981.

The work will include modifications to *existing heating and domestic water systems, improved bathroom and kitchen ventilation, partial replacement of central boiler plant and miscellaneous associated electrical and building work.* The majority of the work will be within maisonettes in a 23-storey block (106 dwellings) plus modifications to the heating systems within two adjacent low rise blocks containing 30 dwellings.

Applicants must also give details of experience, plant and technical and supervisory staff available, together with the names and addresses of two technical and two financial referees.

It is anticipated that tenders for the *above work will be invited in March* 1981 and that the contract period will be in the region of twelve months, commencing in May 1981.

The services for the scheme will be provided by Messrs. H. L. Dawson and Partners under the direction of Messrs. George Trew Dunn Beckles-Willson Bowes, Architects, of 15, Little Green, Richmond Surrey TW9 1QH

HOLIDAY ACCOMODATION

CORNWALL
NR. LOOE and POLPERRO
Country cottage, mini cottage for 2, and 18th century barn converted into the most delightful olde worlde holiday cottages to sleep 2, 4 or 6 persons. Each one is individual in design, and superbly furnished throughout to give you the utmost comfort and luxury. Now reputed to be the most luxurious S.C. holiday for winter or summer in the South West. AA listed. Set in picturesque valley 10 mins. from the sea. Private fishing.
Apply Colour Brochure: F. Hawke, Woodlay Farm, Herodsfoot, Liskeard. Tel. Lanreath 221 (05032).

ART GALLERIES

FINE ART SOCIETY, 148, New Bond St., W1. 01-629 5116. GLUCK.

MARLBOROUGH, 6, Albemarle St., W1. JOHN WONNACOTT First London Exhibition 17 Dec.-31 Jan. '81. Mon-Fri 10-5.30, Sat. 10-12.30.

MATHAF GALLERY, 24, Motcomb Street, London, SW1. 235 0010. Specialists in 19th C. and Contemporary Paintings of ARABIA.

MALL GALLERIES, The Mall, SW1. Portrait Sculptors & Mall Prints 1981 Ann. Exhbn. Mon-Fr. 10-5, Sats 10-1. Until 17th Jan. Adm. 50p

COMPANY NOTICES

TOTAL OIL MARINE LIMITED

A British Company incorporated as a Limited Company on July 8, 1964, and registered under the No. 811900 on the British Registrar of Companies

Head Office: Berkeley Square House
Berkeley Square — London W1X 6LT — United Kingdom

French Francs 150,000,000 9½% French Francs
Currency Notes due 1987
Guaranteed by Compagnie Française des Pétroles

General Meeting of Noteholders
Second Notice of Meeting

The General Meeting of holders of 9½% 1979-1987 FF 5,000 TOTAL OIL MARINE LIMITED French Francs currency notes, issued in March 1979, which had been convened on Tuesday, December 30, 1980, by the company, had been dissolved in default of quorum; in consequence a second General Meeting shall be held on Tuesday, February 3, 1981, at 11 a.m. in the offices of BANQUE DE PARIS ET DES PAYS-BAS, 33 Throgmorton Street, London EC2N 2BA, to discuss and approve the subjects of the same agenda.

Agenda

— Appointment of noteholders representatives

— Determination of their powers and their remuneration

All holders of 9½% 1979-1987 notes may attend or be represented by an alternate of their choice at this Meeting; nevertheless to exercise their rights, they are required to deposit their securities five days prior to the scheduled date of the Meeting with the Banks and the Financial Institutions having participated in the issue of these notes.

Invitation cards for admission to the Meeting as well as proxies for noteholders to be represented by an alternate will be issued by these Banks and the Financial Institutions to such noteholders as shall request them.

THE BOARD OF DIRECTORS

AUTOMOBILES PEUGEOT

10% 1976/1983 LOAN OF FF 125,000,000.-

We inform the bondholders that the redemption instalment of FF 37,500,000.- nominal due February 10, 1981, has been met by purchase of FF 19,565,000.- nominal bonds and by the drawing for redemption of the undermentioned bonds amounting to FF 17,935,000 on December 18, 1980, in Luxembourg, in the presence of an "Huissier."

The bonds will be reimbursed at par on February 10, 1981, coupon due February 10, 1982 and followings attached, according to the modalities of payment on the reverse of the bonds.

The numbers of such drawn bonds are as follows:

011435 to 011500	011544 to 011724	012354 to 013477
013479 to 014174	014179 to 014318	014328 to 014352
014384 to 014394	014401 to 015405	015411 to 015419
015422 to 015428	015484 to 015506	015509 to 015549
015592 to 015651	015667 to 015686	015697 to 015699
015701 to 015740	015761 to 015761	015774 to 015780
015785 to 015798	015813 to 015826	015850 to 015856
[illegible]	[illegible]	[illegible] to 015916
015931 to 015935	015955 to 015975	015977
015980 to 015995	015997 to 016007	

Amount outstanding after February 10, 1981: FF 87,500,000.- nominal.

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter,
LUXEMBOURG.

SVENSKA HANDELSBANKEN

US$30,000,000 9¾% Bonds 1976 (77-86)

NOTICE IS HEREBY GIVEN that pursuant to paragraph 4 of the terms and conditions the amount of US$1,000,000.— for redemption as per March 1, 1981, will be withdrawn from the Sinking Fund. Therefore, a drawing by lot of bonds will not be effected this year. The amount outstanding after redemption as per March 1, 1981, will be US$25,000,000.

Stockholm, January 1981. SVENSKA HANDELSBANKEN

European Depositary Receipts issued by Morgan Guaranty Trust Cy. of New York and representing Common Stock of KUBOTA LIMITED

A distribution of $0.359 per depositary share less any applicable taxes will be payable on and after December 31, 1980 upon presentation of coupon no. 26 at the office of any of the following depositaries:
MORGAN GUARANTY TRUST CY. OF NEW YORK
—New York, 30, West Broadway
—London, 1, Angel Court
—Brussels, 35, avenue des Arts
—Paris, 14, Place Vendôme
—Frankfurt, Bockenheimer Landstrasse, 3
CREDITO ROMAGNOLO Via Armorari, 14, Milan
BANK MEES & HOPE, Herengracht, 548, Amsterdam
KREDIETBANK S.A. LUXEMBOURGEOISE, 43, Bd. Royal, Luxembourg
Net amount: $0.305 (15% Japanese tax deducted)
$0.287 (20% Japanese tax deducted)

Bearer Depositary Receipts representing Common Stock of ASAHI CHEMICAL INDUSTRY LIMITED

A distribution of $0.286 per depositary share less any applicable taxes will be payable on and after December 29, 1980 upon presentation of coupon no. 13 at the office of any of the following depositaries:
MORGAN GUARANTY TRUST CY. OF NEW YORK
—New York, 30 West Broadway
—Brussels, 35, avenue des Arts
—London, 1, Angel Court
—Paris, 14, Place Vendôme
—*Frankfurt, 8, Bockenheimer Landstrasse*
CREDITO ROMAGNOLO, Via Armorari, 14, Milan
BANK MEES & HOPE, Herengracht, 548, Amsterdam
BANQUE GENERALE DU LUXEMBOURG, rue Aldringen, 14, Luxembourg
Net rate. $0.243 (after deduction of 15% Japanese withholding tax)
$0.229 (after deduction of 20% Japanese withholding tax).

BRAZILIAN EQUITY HOLDINGS
SOCIETE ANONYME, LUXEMBOURG

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of BRAZILIAN EQUITY HOLDINGS SOCIETE ANONYME, LUXEMBOURG will be held at 27 avenue Monterey, Luxembourg, on 2nd February, 1981 at 12 noon for the purpose of considering and, if thought fit, passing the following resolutions:

[illegible]

THE BOARD OF DIRECTORS

Registered Office:
27 avenue Monterey,
Luxembourg.
9th January, 1981.

NOTES

(1) The shareholders are advised that the quorum required for the Extraordinary General Meeting is of half of the shares outstanding and that decisions can only be validly taken by a majority of two-thirds of the shares present or represented at the Meeting.

In order to take part in the General Meeting of shareholders of 2nd February, 1981, the owners of bearer shares are required to deposit their shares three business days before the Meeting at the registered office of the Company or with Banque Générale du Luxembourg, S.A., 27 avenue Monterey, Luxembourg. Bearer or registered shareholders should lodge their proxies with the Company three business days before the meeting.

(2) Copies of the circular letter from the Chairman to the members of the Company dated 9th January, 1981 and instructions as to the procedure to be followed by shareholders of share warrants to bearer who wish to be present or vote by proxy at the Extraordinary General Meeting may be obtained from the registered office of the company or from Banque Générale du Luxembourg, S.A., 27 avenue Monterey, Luxembourg.

Bearer Depositary Receipts issued by Morgan Guaranty Trust Cy. of New York and representing shares of
MITSUBISHI ELECTRIC CORPORATION

Cash distribution of $1.41 per "Depositary share" is payable on December 24, 1980 upon presentation of coupon no 20, at:
MORGAN GUARANTY TRUST CY. OF NEW YORK
—West Broadway, 30, New York
—Angel Court, 1, London
—Avenue des Arts, 35, Brussels
—Place Vendôme 14, Paris
—Bockenheimer-Landstrasse, 8, *Frankfurt/Main*
CREDITO ROMAGNOLO, Via Armorari, 14, Milan
BANK MEES & HOPE, Herengracht, 548, Amsterdam
CRÉDIT INDUSTRIEL D'ALSACE ET DE LORRAINE, Grand Rue, 103, Luxembourg
at designated rate, less applicable Japanese withholding tax, determined by the country of residence of the presentor and any other applicable tax.
Net amount: $1.19 (15% Japanese tax deducted).
$1.12 (20% Japanese tax deducted).

RBC INTERNATIONAL INCOME FUND LIMITED

BEARER DEPOSIT RECEIPTS

[illegible]

THE ROYAL BANK OF CANADA (CHANNEL ISLANDS) LIMITED,
PO Box 48,
St. Julian's Avenue,
St. Peter Port,
GUERNSEY,
Channel Islands

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NIPPON SHINPAN CO., LTD.

[illegible]

CITIBANK, N.A., LONDON, Depositary.
January 12, 1981.

CREDIT NATIONAL

USD 75 million Floating Rate 1978/88

The rate of interest applicable for the six months period beginning on January 12, 1981 and set by the reference agent is 16¼% annually.

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE

[illegible]

By: CITIBANK, N.A., LONDON, Agent Bank
January 12, 1981.

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 734 0557.

GARGOYLE, 69 Dean Street, London, W1. NEW EROTIC FLOORSHOW "CLOSE ENCOUNTERS" 11-3.30 am. Shows at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455.

PLANT & MACHINERY SALES

1) ROLLING MILLS
12in x 30in x 35in wide x 400 hp Four High Reversing Mill.
5in x 12in x 10in wide variable speed Four High Mill.
3.5in x 8in x 9in wide variable speed Four High Mill.
18in x 24in x 250 hp Two High Mill.
12in x 16in x 100 hp Two High Mill.
10in x 16in wide fixed speed Two High Mill.
10in x 12in wide fixed speed Two High Mill.
6in x 16in x 20in wide Four High Mill.
150 x 100 mm x 15 hp Two High Tape Rolling Mill.
110 x 100 mm x 10 hp Two High Tape Rolling Mill.

2) 10in x 8in x 75 hp Two Stand WIRE FLATTENING AND NARROW STRIP ROLLING MILL.

3) DECOIL FLATTEN, AND CUT/LENGTH LINES (SHEETS).
1830 mm x 1.2 mm/6.5 mm x 20 Ton Coil.
1830 mm x 0.36 mm/2.5 mm x 15 Ton Coil.
1500 mm x 0.5 mm/3.2 mm x 10 Ton/15 Ton Coil.
1100 mm x 2 mm/8 mm x 5 Ton Coil.
1500 mm x 0.5 mm/2 mm x 15 Ton Coil.
750 mm x 1 mm/3 mm x 5 Ton Coil.
400 mm x 0.5 mm/3 mm x 2 Ton Coil.

4) DECOIL STRAIGHTEN & CUT/LENGTH LINES (ROD).
32 mm to 16 mm diameter x 2 Ton Coil.
16 mm to 6 mm diameter x 1 Ton Coil.
6 mm to 2 mm diameter x 1 Ton Coil.

5) SLITTING LINES
1220 mm x 3 mm x 10 Ton Coil.
920 mm x 5 mm x 10 Ton Coil.
920 mm x 2 mm x 2 Ton Coil.
300 mm x 1.5 mm x 1 Ton Coil.
36in and 48in Sheet Slitters.

6) WIRE DRAWING MACHINES
6 Block, in line, variable speed (560 mm dia x 25 hp D.C.).
9 Block, non-slip cumulative (610 mm dia x 25 hp A.C.).
8 Block, non-slip cumulative (560 mm dia x 25 hp A.C.).
6 Block, non-slip cumulative (356 mm dia x 7.5 hp A.C.).
Horizontal Drawblock variable speed (915 mm dia x 75 hp D.C.).
Horizontal Drawblock variable speed (456 mm dia x 15 hp D.C.).
Vertical Drawblock (2) variable speed (610 mm dia x 25 hp D.C.).
13 and 15 Die Cone Type & Spooler. 4500 ft/min (2 machines).
9 Die Cone Type & Finishing Block, 750 ft/min.

(7) BAR REELING & STRAIGHTENING MACHINES
Platt 25 mm to 116 mm capacity.
Robertson 9 mm to 32 mm capacity.
Platt 6 mm to 38 mm capacity.

8) SHEARS AND GUILLOTINES
1220 mm x 25 mm Cincinatti Plate Shear.
510 mm x 16 mm/50 mm x 50 mm PELS Scrap Shear.
25 mm x 3 mm high-speed mechanical Guillotine. Keetone.

9) SHEET LEVELLING ROLLS 920, 1150 and 1850 mm wide.

ROLLS TOOLS LTD.
156/6 Blackfriars Road, London SE1 8EN
Tel: 01-928 3131 — Telex: 261771

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Printing codes on plastic bottles

THE NEW-FOUND ability to print bar codes on flexible plastic bottles has significantly widened the role of laser-scanning of products at supermarket checkouts and given fresh impetus to its use.

Metal Box, which has extensive interests in printing on all materials, has solved the difficult problems of printing bar codes "in the round" by the silk screen and dry offset processes. Experts from the research and development centre at Wantage, Berks, provided the original film masters and worked closely with MB's factory at Wrexham to reproduce the article numbering to the extremely tight register required for laser-scanning. An oil company and a supermarket group are among the first users.

Metal Box is possibly the only packaging company that also incorporates all the major printing processes from gravure to flexography for plastic film or reel material. Printing is now by all processes on all materials in use from traditional tin cans to plastics.

Bar codes are only just beginning to be used in the UK, but in America they have been in use since 1973, although it has taken several years to prove their economic viability. Today there are more than 3,000 supermarkets using the system and 70-80 a month joining them.

In the UK only a handful of supermarket groups like Asda, Keymarkets, Tesco and Sainsbury have installed pilot schemes to study the system and devise appropriate computer programmes.

Laser-scanning, besides reducing pilferage, provides a lot of data of crucial importance to profitability and managements like the efficiency of the store layout, individual check-outs and, of course, stock control.

However, it is of little use a retailer spending £100,000 or so in installing a laser-scanning system if it has nothing to read. The addition of bar codes needs the co-operation of the food manufacturer or packer, so it is a chicken and egg situation. Birds Eye was among the first to print bar codes and others are following.

Metal Box is well entrenched in the system, having been printing bar codes for export to the U.S. since 1974. It has printed more than 1,500m symbols. It is now under considerable pressure to enlarge the use of the European Article Number (EAN) which is being accepted on a world-wide basis from Europe to Japan.

Currently the Article Number Association (ANA) is drawing up guidelines in the light of growing experience. The UK number starts with 50. Then follows five digits (under the bars whose width identifies them) which identifies the manufacturer. A further five digits identifies each unique product by size, flavour, special offer, special launch and so on. A 13th number is the computer check digit.

By this means the country, manufacturer, product and other information for full identification will make it possible for scanners in Germany or elsewhere to read what is going on.

It obviously brings into prominence product liability and the prospect of litigation. In Germany the numbering has been made a DIN specification, equivalent to a British Standards Institute mark. ANA believes that this will lead to unnecessary wrangles and litigation and instead is trying to achieve a more flexible, mutually agreed procedure among its 650 members.

PETER CARTWRIGHT

Stabilises the load

USUAL METHOD of hand strapping bundled corrugated cases on pallets invariably leaves a rounded top surface and, if the palletised loads are then stacked, the weight of the upper pallets will compress the lower ones, causing strapping to become loose with the result that pallets are dangerously unstable in storage and transit.

Palletised loads can be compressed before strapping, thus ensuring that the stack remains secure, since the introduction of a completely new type of low-cost pallet press from F. A. Power, Holdford Road, Witton, Birmingham (021 356 6264).

This handles up to 20 standard 40 x 48 inch wooden pallets an hour and applies an even pressure of up to three and a half tons to compress the cases by between ten and 15 per cent, without damaging the fluting.

One of the major advantages in using the Power-Consol is the saving in transport costs, says the company, which points out that with compression of up to 15 per cent it is possible to stack more cases on each pallet.

The machine occupies a floor area of 2100 x 1200 mm, weighs 800 kg. Operation is by a small hand lever.

Many heads mean light work for gamma rays

BY ALAN CANE

A NEW British company has joined the lists in a technology where Europe has a distinctive — and perhaps surprising — world lead.

It is called Innotron, it was set up with the help of £278,000 from the National Enterprise Board, and it makes a device which measures gamma radiation in biological samples rapidly and automatically.

It is the third UK company in the field. The first was Nuclear Enterprises of Edinburgh which won a Queen's Award to Industry in the late 1970s for the technological breakthrough which made rapid sample counting possible.

And late last year a small company, WILJ, based in Kent, announced plans for a medical multihead gamma counter to become available later this year.

It is, of course, a small specialised market — according to Mr. John Adam, sales manager, life sciences, for Nuclear Enterprises, the world market is around 1,000-2,000 machines a year, a total value of between £10m and £20m. But one in which the big U.S. medical manufacturers are curiously missing.

Gamma radiation counting is an old established discipline; traditional counters use large sodium iodide crystals in the counting head together with photomultipliers and associated circuitry to turn gamma particles into numerical results.

What Nuclear Enterprises realised was that for medical assays, where many hundreds of samples may have to be measured each day, a single counting head was simply too slow: so it developed the first multihead gamma counter, the NE 1600 which counted samples 16 at a time and swept the board.

Now there are four companies producing multihead counters and each of them has taken the logical step of adding microprocessor technology to its product. The Innotron device has four microprocessors in its new Hydragamma 16.

Nuclear Enterprises launched the NE 1612, a machine basically similar to its very successful NE 1600 but with the necessary microprocessor controls.

According to Dr. Ray Edwards, a biochemist in the Chemical Pathology Department at St. Bartholomew's Hospital, who has carried out a special study of multihead gamma counters, the 1612 is certain to do well.

"The 1600 was beautifully designed and I believe the 1612 is a worthy successor," he said. "Nuclear Enterprises has retained features such as the stainless steel casing in spite of the additional manufacturing costs, and I think they have made the right decision."

But he believes that all the UK manufacturers have skimped on the microelectronics in comparison to LKB, the Swedish manufacturer, whose Multigamma 1260 he holds in high esteem.

"It was sensible to install such a powerful microprocessor because that is essentially inexpensive. The 1260 is an intelligent and sophisticated machine which is fully automated."

Microprocessor technology enhances the power of these machines in two ways—it makes it possible to calculate the results automatically, and it makes it possible to ensure that all the counting heads are operating at the same efficiency—and apply the necessary corrections if they are not.

What both the NE1612 and the LKB 1260 have which seems to be missing on the new Innotron Hydragamma 16 is the facility to store data such as assay formats and assay conditions. It is understood that Innotron is looking again at its design strategy in the light of Dr. Edwards' report.

The fourth company, WILJ is producing a machine called the Gambyt 10/20, which can operate with 10 or 20 heads. According to Dr. Edwards, WILJ has an interesting modular approach: "You can begin with a small system and build it up over the years."

But he does not believe the number of counting heads really matters: "All of these machines have a counting capacity far in excess of anything any European laboratory would be likely to produce."

All four machines cost roughly the same; the LKB is £8,950, but a teletype input costing £1,350 is essential. The NE 1612 is about £10,000, the Hydragamma 16 about £10,500 and the WILJ Gambyt £8,900.

So it is a tough market for a new company. Innotron claims that it already has significant orders including a contract from American Scientific Products for an initial 100 instruments worth U.S.$2.5bn. Other orders are claimed from South Africa, West Germany and Belgium.

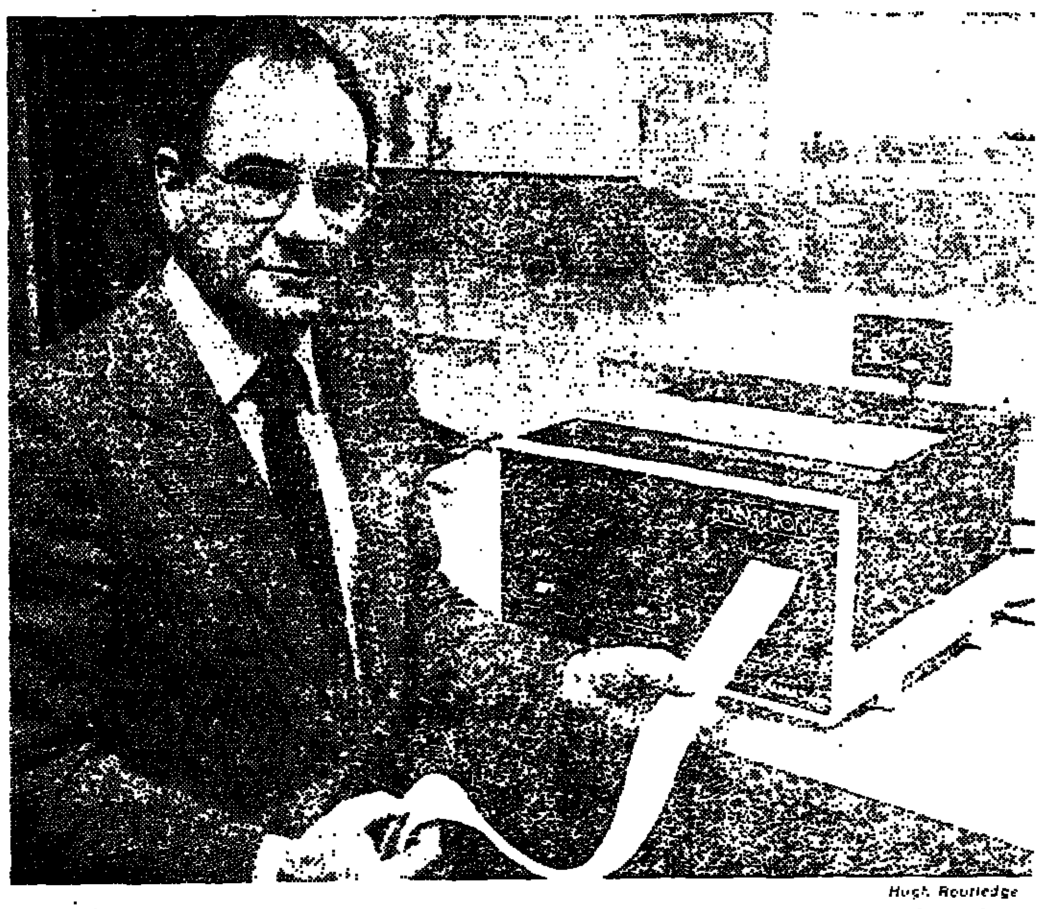
The company is owned 29 per cent by the NEB, 27 per cent by Oxford Instruments, the balance remaining with the company founders including Dr. Timothy Chard of St. Bartholomew's Hospital Medical College.

What machines like the Hydragamma 16 actually do is detect minute concentrations of the constituents of blood and other body fluids, after radioactive treatment, a technique called radioimmunoassay.

It is used in the diagnosis of thyroid deficiencies, hepatitis, infertility, measurement of insulin levels, and pre-natal screening for congenital abnormalities such as spina bifida.

Mr. Peter Gribble of Innotron predicts that the company will be turning over between £5m and £10m in three to five years.

It will, of course, take some years for companies such as Innotron and WILJ to run their production lines up to full capacity and to prove the quality of their production line products — and only then will it be known if they can give their bigger, established rivals a run for their money.



Hugh Routledge

Professor Timothy Chard with the new Hydragamma 16: it faces tough competition from other British companies and from abroad

NEWS IN BRIEF

COMPONENTS

NOT MUCH more than half the length of a standard glass-tube fuse is a design of miniature circuit breaker from Alcoswitch which uses a bi-metallic element, thus leaving it unaffected by short duration current pulses from components such as capacitors.

Available from HB Electronics of Bolton (0204 386361) the unit is for use with AC or DC up to 24 volts. The small size makes it highly suitable for printed board applications and a right angle mounting version allows edge-of-board use.

HYGIENE

BRINGING THE latest microbiological technology in its simplest form into the hands of those involved with environmental health and safety, hygiene, and all aspects of food production and handling is the PGC Germ Control System introduced by Partome, 181 Queen Square, Bath, Avon.

This gives rapid warning of danger from contaminated products or work-surfaces in the food and catering industries. It uses a special swab with a transport medium. Incubation, in a simple and cheap unit, is said to produce completely reliable results in a maximum of about six hours — making it possible to complete tests within a normal work-shift.

The presence of danger is indicated, at a glance, by an obvious and distinctive change of colour from red to yellow.

VIEWDATA

NEWS COMES from Incoterm, the Honeywell terminals subsidiary, of the first up and running installation of the Incotel system, a private viewdata offering.

The system is at Howson-Algraphy, the Vickers-owned lithographic products company and the first application is the provision, on-screen, of information about competitors' products. First screens are in library and boardroom but others are planned for additional locations, possibly including sales representatives' homes.

Howson-Algraphy also has plans to extend the system to its ICL mainframes in order to extract high level management information on stocks, sales, orders and so on and make the data available to authorised personnel so as to reduce the large volumes of paper reports currently circulated.

Currently under development however, is a monthly overseas financial reporting system using pre-set pages and the response frame facility: controllers will be able to enter monthly performance statistics direct into the UK database.

Honeywell information systems is on 01-568 9191.

Packing tins with talcum

FILLING CONTAINERS with talcum powder is not as easy a task as one might think. Cosmetic manufacturers and contract packaging companies handling this product have to contend with its peculiar properties—when aerated it flows almost like a liquid, but when the air is removed it acts rather like a solid.

Because of these characteristics, container filling presents a problem, but this can now be overcome, according to Neumo-Alite, of Pixmore Avenue, Letchworth, Herts SG6 1JR (Letchworth 3965).

This company has devised for contract packaging specialist Marcus Ellis (Cosmetics), of Deeside, Clwyd, North Wales, a machine which will fill 100-gramme containers at speeds up to 250 per minute compared with a previous 50 per minute. This was achieved by step-by-step indexing and filling from a continuous flow of fluidised talc and a constant movement of the container under the filler outlet.

In the new system, empty containers are lined up and collected by a star wheel fitted with product-feed cones with knife-edges separating them. Apportioning the correct amount of powder to each container is controlled by the rate of flow and speed of container motion. All operating time becomes filling time, with no wasted time or motion between fillings, says Neumo-Alite, which adds that change-over from one container size to another is quick and simple.

Solves colour problems

MAKING GLOSS paint in a range of consistent colours poses interesting questions of control. The Silver Paint and Lacquer Company of Batley, Yorkshire, solved the problem by installing Unipulse meters and an Autobatch electronic meter control system supplied by Neptune Measurement.

The system is completely automatic and replaces a manual operation. The meters ensure that the right amount of stainer is added to the white paint base prior to mixing: metering is controlled by the Autobatch unit which opens and closes valves in response to impulses received from the meters. Neptune Measurement is on Saddleworth 4822.

Cleans the sewers

SEWER JETTERS which carry clean water supply tanks of up to 600 gallon (2,724 litres) capacity, but are less than 7.5 tons gvw, can be driven by those not holding HGV licences says Whale Tankers, Ravenshaw Lane, Solihull, West Midlands (021-704 3191).

Equipped with Aqua Hydraulics AH35 plunger-type pumps delivering 28 gallons a minute at 1,700 psi, the non-HGV jetter can be supplied on a Bedford KCC chassis, a Dodge GO8, a Ford D0707 or a Leyland TR738, but a number of imported chassis are also suitable.

Standard equipment on the jetters includes a hydraulically operated 300 feet hose reel, a 2½ inch approved hydrant filling valve, and full length sight glass contents indicator.

Included in these new type jetters are 10 units on Mercedes chassis for shipping to municipal authorities in Saudi Arabia.

INTL. COMPANIES & FINANCE

NECKERMANN RESCUE

Karstadt will pump in DM 248m

BY KEVIN DONE IN FRANKFURT

KARSTADT of West Germany, West Europe's largest retail stores group, is prepared to pump in up to DM 248m ($127m) to rescue its ailing 51.2 per cent owned mail order and travel subsidiary, Neckermann Versand, and has offered to buy out minority shareholders.

Neckermann, which was first saved by Karstadt from imminent financial collapse only four years ago, has lost around DM 65m in the past year.

The Frankfurt-based group has suffered a disastrous year in the travel market, where bookings fell by nearly 10 per cent. Neckermann und Reisen (NUR), the second largest package tour operator in the Federal Republic, accumulated losses of DM 40m in 1979, the company said at the weekend, compared with a profit of DM 10m in 1978.

In the mail order business alone — Neckermann is the third largest West German house after Quelle and Otto Versand — the company still operated profitably and increased sales. But Neckermann ran up a major deficit in its chain of 84 stores and service centres which support catalogue sales. Its mail order business in France and in the Netherlands also operated deeply in the red.

Taken as a whole, the mail order and stores sector suffered losses of about DM 30m on last year's sales of DM 1.67bn, an increase of 4.9 per cent. The travel business achieved a turnover of DM 1.19bn, a marginal rise of 1.1 per cent.

Neckermann and Karstadt propose to meet the losses by halving Neckermann's nominal equity capital of DM 137.4m with a write-down of existing shares at a ratio of one-to-two. The company's nominal capital would then be restored to DM 137.4m with the issue of new shares at a ratio of one for one at a price of DM 100 per nominal DM 50 share.

Before this injection of DM 137.4m of new capital, which will be put to the annual general meeting of Neckermann on June 11 for approval, Karstadt is offering to buy out the minority shareholders.

Karstadt is offering to pay DM 82.50 per share in an action from February 13 to March 13. Before the shares were suspended on December 30, they were trading at DM 65. If all small shareholders subscribe, the move for full control of Neckermann could cost Karstadt a further DM 110.6m.

Karstadt said at the weekend it was offering to take over the shares before the capital write-down, as there was little chance of Neckermann making any dividend payment "for the foreseeable future."

The capital write-down will be made effective from December 31, 1980, and was made inevitable by last year's losses after the company's open reserves had dwindled to DM 1m in the process of making good the massive losses of earlier years.

Neckermann has not paid a dividend since 1974. In 1976—the year it was saved from collapse by Karstadt and the agreement of its banks to forego DM 180m in interest and loan repayments—it had losses of DM 222m, followed in 1977 by a deficit of DM 125m, in 1978 of DM 45m and in 1979 of DM 26m.

Mitsui income rises by 41%

By Our Financial Staff

AFTER REPORTING a 41.5 per cent increase in first half consolidated net income Mitsui, one of Japan's leading trading houses, declined to forecast results for the year to March 31 because of uncertain world economic trends and the yen's sharp appreciation against the U.S. dollar.

First half income rose to a record Y15.31bn ($76.17m) from Y10.82bn a year earlier on increased sales of Y7,340bn, up 20.5 per cent from Y6,090bn a year earlier.

Mitsui said that the record half year business performance was mainly due to increased offshore and import transactions, especially of non-ferrous metals and foodstuffs. Stronger performances by overseas affiliates also boosted net income.

Management restructure for First Chicago

BY DAVID LASCELLES IN NEW YORK

FIRST CHICAGO, the $30bn Chicago bank, is to restructure its operations in the wake of the severe crisis which rocked it nearly a year ago. The changes were announced by Mr. Barry Sullivan, the chairman and chief executive officer, who took over last summer after the bank's two top officers had been dismissed.

At the top, main responsibilities will be divided among Mr. Sullivan, who will set the bank's strategy, Mr. Richard Thomas, the president, who will oversee banking functions, and Mr. Neil McKay, the vice-chairman, who will administer the bank. Mr. Thomas had lost some of his banking responsibilities during the crisis.

The world banking group is being strengthened to improve services to existing customers. But there will be special focus on multinationals, energy and transport companies, international financial institutions, and central banks.

The U.S. banking group will be organised around specific industries, with emphasis on the Mid-West market, where First Chicago wants to regain its lost pre-eminence.

Mr. Sullivan said the changes reflected the bank's desire to build on customer relationships, particularly in its traditional Mid-West markets. The bank's resources would also be focused exclusively on the markets, industries and products where it can excel, he said.

Tissue move by Brascan hinted

By Robert Gibbens in Montreal

BRASCAN, the major Canadian holding company controlled by the Peter and Edward Bronfman interests, which already holds minority positions in several U.S. consumer products companies, is believed to have brought a substantial number of shares of Scott Paper Company, the U.S. and Canadian tissue maker.

Scott said in Philadelphia that Brascan had been responsible for heavy trading in the company's shares in New York on Friday. In Toronto, Brascan would neither confirm nor deny that it had been buying Scott Paper shares. Brascan has said that it hopes to build up holdings of 20 to 30 per cent in a major North American consumer products company.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Alexanders Disc.	Jan. 19	Final 11.601	*Hambro Tst.	Jan. 27	Int. 1
Assoc. Dairies	Jan. 30	Int. 2.0	Inchape	Jan. 24	Int. 7.15
*Bank Leumi (UK)	Jan. 26	Final 5.788	*Letraset	Jan. 16	Int. 1.09
BAT Inds.	Jan. 30	Int. 6.5	Lonrho	Feb. 4	Final 5.68
*Berisford (S. & W.)	Jan. 15	Final 5	*Linfood	Jan. 14	Int. 3.5
Brown (J.)	Jan. 25	Int. 1.75	*Magnet & Southerns	Jan. 14	Int. 3.0
*Dixons Photo	Jan. 15	Int. 1.25	*Racal Electronics	Jan. 29	Int. 1.05
*Dowty	Feb. 12	Int. 2	*Rank Org.	Jan. 22	Final 6.0
*Grand Met.	Jan. 15	Final due	*SGB	Jan. 13	Final 5.1
*Fitch Lovell	Jan. 29	Int. 1.491	*Tate & Lyle	Jan. 22	Final 4.0
*Gestetner	Jan. 22	Final 2.75	*Trusthouse Forte	Jan. 21	Final 6
*Grand Met.	Jan. 15	Final 3.25	*Union Discount	Jan. 21	Final 13.625
*Hogg Robinson	Jan. 12	Int. 3			
*ICI	Feb. 26	Sec. Int. 11			
*Imperial Grp.	Feb. 12	Final 4.5			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	Hambros Bank	14 %
Allied Irish Bank	14 %	■ Hill Samuel	§14 %
American Express Bk.	14 %	C. Hoare & Co.	†14 %
Amro Bank	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Keyser Ullmann	14 %
A P Bank Ltd.	14 %	Knowsley & Co. Ltd.	16 %
■ Arbuthnot Latham	14 %	Langris Trust Ltd.	14 %
Associates Cap. Corp.	14 %	Lloyds Bank	14 %
Banco de Bilbao	14 %	Edward Manson & Co.	15 %
BCCI	14 %	Midland Bank	14 %
Bank of Cyprus	14 %	■ Samuel Montagu	14 %
Bank of N.S.W.	14 %	■ Morgan Grenfell	14 %
Banque Belge Ltd.	14 %	National Westminster	14 %
Banque du Rhone et de la Tamise S.A.	14½ %	Norwich General Trust	14 %
Barclays Bank	14 %	P. S. Refson & Co.	14 %
Beneficial Trust Ltd.	15 %	Rossminster	14 %
Bremar Holdings Ltd.	15 %	Ryl. Bk. Canada (Ldn.)	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	14 %
Canada Perm't Trust	15 %	Standard Chartered	14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	14 %
■ Charterhouse Japhet	14 %	Twentieth Century Bk.	14 %
Choulartons	14 %	United Bank of Kuwait	14 %
C. E. Coates	14 %	Whiteaway Laidlaw	14½ %
Consolidated Credits	14 %	Williams & Glyn's	14 %
Co-operative Bank	*14 %	Wintrust Secs. Ltd.	14 %
Corinthian Secs.	14 %	Yorkshire Bank	14 %
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½ %		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	¶14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month 11¾%. Short term £4,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross interest	payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	13¾	½-year	1,000	5-7
Sefton (051-922 4040)	13¼	½-year	2,000	2-5

Public Works Loan Board rates

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13¾	13¾	13½	14¾	14¾	14
Over 5, up to 10	13½	13¾	14½	14	14¾	14¾
Over 10, up to 15	14¼	14¼	14	14¾	14¾	14½
Over 15, up to 25	14	14	14	14½	14½	14½
Over 25	14	14	14	14½	14½	14½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest.) § With half-yearly payment of interest only.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980/81 High	Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
58	F.P.	5/2	335	308	‡Amer. Comm. Inds.	308	......	—	—	—	—
$100	F.P.	5/2	£41½	£38½	‡Do. Notes 20%	£38½	......	Q20%	—	20.8	—
610	F.P.	—	610	600	‡Cramphorn	610	......	16.5	2.1	3.9	17.7
107δ	F.P.	12/1	134	113	Independent Inv. 25p	122	−1	—	—	—	
70	F.P.	9/1	100	78	‡Midland Marts	92	......	b3.75	2.0	5.8	12.3
100	F.P.	23/1	110	97	New Tokyo Inv Tst 50p	110	+1	—	—	—	—
50	F.P.	30/1	51	47	††Pennine	49	+2	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	Low	Stock	Closing Price £	+ or −
‖	Nil	—	11pm	¼pm	Allied London 8¾% Cnv. Uns. Ln. 1999	½pm	−½
¶	F.P.	26/2	107¾	106½	Chester Waterworks 9% Red. Pref. 1985	106½	......
100p	F.P.	28/1	103½p	102p	Comben 11.375% Cum. Red. Pref.	104	......
[illegible]	F.P.	26/2	105	104½	Essex Waterworks 8½% Red. Pref. 1985	104½	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	East Anglian Water 9% Red. Pref. 1985	[illegible]	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Lon. Merchant Secs. 7¾% Cv. Uns. Ln. 2005-06	[illegible]	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Mid-Sussex W'rw'ks 14% Red. Deb. 1986-88	[illegible]	
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Smith & Nephew 10% Cnv. Uns. Ln.	[illegible]	
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	S. Rhodesia 4½% '87-92 Asstd.	[illegible]	
[illegible]	F.P.	21/1	100p	97	Standard Industrial 11½% Pref.	97	

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980/81 High	Low	Stock	Closing Price p:	+ or −
30	F.P.	5/1	23/1	34½	32	Bremar Trust	34
115	F.P.	12/1	26/2	141½	135	Brotherhood P.	135
75	F.P.	22/12	21/1	93	86	E. Midland Allied Press A	86
5	F.P.	8/12	23/1	7	5	[illegible]	6
210	F.P.	16/12	14/1	280	225	Hampton Gold Mining	260
184	Nil	—	—	10pm	7pm	Johnson, Matthey	8pm
115	Nil	—	—	22pm	15pm	KCA Intnl.	18
26	F.P.	19/12	30/1	29½	25	L. K. Industrial	28
$A1.05	Nil	—	—	35	35	North Kalgurli Mines	35
25	Nil	22/1	13/2	6pm	3pm	Prestwich Parker	5pm
18	F.P.	—	—	29	18	Pritchard Services	25
320	Nil	—	—	31pm	17pm	Royal Insurance	19
29	F.P.	16/12	22/1	95	81	Scapa	95
60	F.P.	9/1	13/2	86	76	Security Centres	76
24¼	Nil	16/1	23/1	125pm	85pm	TNT	92pm
145	Nil	19/1	16/2	48pm	29pm	Warren Plants	41pm

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ‡ Unlisted Securities Market. ‡‡ London Listing. § Resulting from debt settlement scheme. ¶¶ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

CURRENCIES, MONEY and GOLD

A taxing time ahead

BY COLIN MILLHAM

The tax paying season began fairly quietly as far as the money market was concerned, although shortages of day-to-day funds increased as last week progressed. The reduction in banks' reserve asset ratios to 10 per cent from 12½ per cent and the cut to £100m in the weekly Treasury bill tender—both moves designed to help cope with the difficult month of January, when money tends to flow into the Exchequer rather than the money market—pushed interest rates down at the beginning of the week. This trend continued on Tuesday thanks to a surplus of credit and generally favourably reaction to the latest money supply figures. Thereafter very short term rates reflected the imminent approach of the worsening credit situation, while longer rates continued to ease in anticipation of a downward trend in Minimum Lending Rate this year.

Payments of Corporation tax and VAT are likely to create money market shortages beyond the end of January, while money flows in the gilt-edged market are also significant at present. The failure of the authorities to sell more than a nominal amount of the long tap Exchequer 12¼ per cent 1999 "B" meant that this was not a heavy drain on market funds, but the call on Treasury 11¾ per cent 2003/07 increased the shortage on Friday by over £500m. This Friday the call on Treasury 11½ per cent 1989 will absorb a maximum of £300m, but on the other hand gilt dividends due this month total over £1bn.

Since November's announcement of changes in official policy towards the money market, the authorities have only lent money to relieve daily shortages on one occasion, preferring to influence market rates by purchases of Treasury and other eligible bills. This coupled with the expected shortage of Treasury bills in the near future has pushed down the bill discount rate and already opened a gap between bill rates and MLR, which the authorities expect to lose its central position within the banking system.

THE POUND SPOT AND FORWARD

Jan. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3950-2.4060	2.3960-2.3970	1.35-1.45c dis	−7.01	2.27-2.35dis	−3.85
Canada	2.8450-2.8500	2.8460-2.8470	1.00-1.10c dis	−4.43	1.85-2.00dis	−2.70
Nethlnd.	5.12-5.16	5.14½-5.15½	2¼-1¼c pm	4.66	6¼-5¼ pm	4.76
Belgium	75.80-76.20	76.05-76.15	15-8c pm	2.13	37-27 pm	1.68
Denmark	14.51-14.58	14.57-14.58	2¼-¼ore pm	1.23	1¾-½ dis	0.07
Ireland	1.2675-1.2740	1.2705-1.2715	0.05p pm-0.06 dis	—	0.08pm-0.04dis	0.06
W. Ger.	4.71-4.75	4.74-4.75	3¼-1½pf pm	5.06	6½-5½ pm	5.05
Portugal	127.03-127.75	127.35-127.65	10-75c dis	−4.00	5-155 dis	−2.51
Spain	181.15-181.85	181.20-181.30	55-115c dis	−5.33	165-205 dis	−4.39
Italy	2241-2251	2249½-2250½	4½-6½ lire dis	−2.85	14½-17½ dis	−2.80
Norway	12.31-12.36	12.31-12.32	3¼-1¾ore pm	2.56	10¼-8¾ pm	3.06
France	10.91-10.96	10.95-10.96	4¼-3¼c pm	4.11	8¼-7¼ pm	2.93
Sweden	10.49-10.54	10.50½-10.51½	3¼-¾ore dis	−4.78	8¼-9¼ dis	−3.47
Japan	482-490	486-487	5.75-2.20y pm	8.10	7.00-6.40 pm	5.51
Austria	33.40-33.55	33.40-33.45	9-5gro pm	2.51	28-22 pm	3.06
Switz.	4.25½-4.31	4.29½-4.30½	3¼-2¼c pm	9.42	9¼-8¼ pm	8.25

Belgian rate is for convertible francs. Financial franc 76.20-76.30.
Six-month forward dollar 3.30-3.60c dis. 12-month 3.50-3.80c dis.

THE DOLLAR SPOT AND FORWARD

Jan. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3950-2.4060	2.3960-2.3970	1.35-1.45c dis	−7.01	2.20-2.35dis	−3.80
Ireland†	1.8840-1.8925	1.8840-1.8850	1.05-1.15c dis	−6.98	1.75-1.85dis	−3.83
Canada	1.1852-1.1878	1.1868-1.1871	0.24-0.18c pm	2.18	0.35-0.30 pm	1.10
Nethlnd.	2.1290-2.1400	2.1360-2.1375	2.15-2.05c pm	11.79	4.47-4.37 pm	8.27
Belgium	31.62-31.77	31.75-31.77	24-20c pm	8.48	45-42 pm	5.56
Denmark	6.0450-6.0640	6.0485-6.0500	4.25-3.75ore pm	7.93	5.75-5.25 pm	3.64
W. Ger.	1.9635-1.9795	1.9785-1.9795	2.00-1.95pf pm	11.97	4.26-4.21 pm	8.56
Portugal	52.90-53.20	53.06-53.14	25c pm-par	2.82	45 pm-15 dis	1.13
Spain	75.63-75.92	75.75-75.80	25c pm-par	1.68	10pm-25dis	−0.38
Italy	930.00-938.30	935.80-936.30	1 par-1¼ dis	−0.80	4-5¼ dis	−2.00
Norway	5.1360-5.1785	5.1360-5.1375	4.90-4.70ore pm	10.16	9.20-8.70 pm	6.97
France	4.5350-4.5625	4.5575-4.5625	4.10-4.00c pm	10.67	7.50-7.30 pm	6.50
Sweden	4.3835-4.3870	4.3855-4.3870	0.85-0.65ore pm	2.05	0.35-0.55dis	−0.41
Japan	201.70-203.00	202.85-202.95	2.20-2.05y pm	12.57	4.75-4.55 pm	9.12
Austria	13.93-13.95	13.93-13.94	11.20-10.60gro pm	9.38	24.00-23.50 pm	6.67
Switz.	1.7760-1.7970	1.7948-1.7965	2.35-2.25c pm	15.38	6.44-5.34 pm	12.01

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

Gold Bullion (fine ounce)	Jan. 9		Jan. 8	
Close	$576-579	(£240-241¼)	$573½-578½	(£238½-239¼)
Opening	$578-581	(£241-242¼)	$572-575	(£237½-239)
Morning fixing	$579.75	(£241.351)	$573.75	(£238.583)
Afternoon fixing	$577.75	(£243.529)	$574.75	(£238.952)
Gold Coins				
Krugerrand	$595-597	(£247½-248½)	$590-592½	(£245½-246½)
1/2 Krugerrand	$304½-312	(£127-130)	$302-304	(£125½-126½)
1/4 Krugerrand	$156-160½	(£65-67)	$155½-157¼	(£64½-65½)
1/10 Krugerrand	$63½-66	(£26½-27½)	$63¼-64¼	(£26½-27)
Mapleleaf	$590-594	(£245½-247¼)	$585-589	(£243¼-245)
New Sovereigns	$145½-147½	(£60½-61½)	$144½-146½	(£60-61)
King Sovereigns	$171-173	(£71½-72½)	$171½-173½	(£71½-72½)
Victoria Sovs	$171-173	(£71½-72½)	$171½-173½	(£71½-72½)
French 20s	$152-156	(£63-64)	$154-156	(£64-65)
50 pesos Mexico	$721-725	(£300½-302)	$715-717	(£296½-298½)
100 Cor. Austria	$563-567	(£234½-236)	$560-565	(£233-235)
$20 Eagles	$690-694	(£287½-289)	$680-685	(£283-285)

OTHER CURRENCIES

Jan. 9	£	$		£ Note Rates
Argentina Peso	4790-4810	1993-2004	Austria	33.30-33.70
Australia Dollar	2.0225-2.0265	0.8440-0.8445	Belgium	76.00-76.80
Brazil Cruzeiro	160.20-161.20	66.60-67.13	Denmark	14.55-14.65
Finland Markka	9.200-9.218	3.8370-3.8390	France	10.87-10.97
Greek Drachma	109.282-113.178	46.60-46.70	Germany	4.70-4.74
Hong Kong Dollar	12.32½-12.33½	5.1405-5.1425	Italy	2240-2300
Iran Rial	174.00	71.00	Japan	484-490
Kuwait Dinar (KD)	0.646-0.652	0.2705-0.2710	Netherlands	5.11-5.15
Luxembourg Frc	76.05-76.15	31.75-31.77	Norway	12.23-12.43
Malaysia Dollar	5.1175-5.1285	2.1880-2.2000	Portugal	127-140
New Zealand Dlr.	2.4840-2.4890	1.0360-1.0370	Spain	186-195
Saudi Arab. Riyal	7.95-8.01	3.3300-3.3315	Sweden	10.53-10.63
Singapore Dollar	4.99-5.00	2.0810-2.0830	Switzerland	4.25-4.29
Sth African Rand	1.7840-1.7850	0.7445-0.7450	United States	2.39-2.41
U.A.E. Dirham	8.77-8.83	3.6705-3.6725	Yugoslavia	79-85

Rate for Singapore Dollar/£ on Jan. 8 should have read 4.9920-5.0030. Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. JANUARY 9)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 1/16	offer 18 3/16	bid 16 3/4	offer 16 7/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Jan. 9	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	13¾-14	20¼-20½	16-18	8¼-9¼	3¼-4	8¾-8¾	10¼-10½	13¼-15¼	11-11½	7-7½
7 days' notice	14¼-14¾	20¼-20½	16-18	8¼-9¼	3½-4	8¾-9	10¼-10½	13¼-15¼	11-11½	7-7½
Month	14¼-14¾	18½-18¾	16½-18½	9¼-9½	5½-5¾	9-9¼	10¾-10¾	13¾-15¼	11-11½	8¾-8¾
Three months	14½-14¾	16¾-16¾	16¾-16¾	9¾-9¾	5½-5¾	9-9¼	10¾-11	13¾-15¼	12¼-12½	8½-8¾
Six months	14¼-14¾	17-17¼	15¾-15¾	9¾-9¾	5¼-5¾	9-9¼	11-11¼	14¼-16¾	12¼-12½	8½-8¾
One Year	14-14¼	15¼-16¼	14¾-15¼	9-9¼	5¼-5½	8¾-9	11¼-11¾	15-16¾	12-12¼	8¼-8¾

Asian $ (closing rates in Singapore) one-month 21¾-21¾ per cent; three months 18¾-18¾ per cent; six months 16¾-17¾ per cent; one year 15¼-15¾ per cent. Long-term Eurodollar two years 14¼-14¾ per cent; three years 14-14½ per cent; four years 13¾-14¼ per cent; five years 13¾-14¼ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.60-18.50 per cent; three-months 17.65-17.55 per cent; six-months 16.30-16.50 per cent; one year 15.10-15.20 per cent.

LONDON MONEY RATES

Jan. 9 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Discount Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13-16	13¾	—	—	14¼-14¾	13-14	—	—	—
2 days notice	—	—	13¾-14	—	—	—	—	—	—	—
7 days or 7 days notice	—	13¾-14¾	14	—	—	14¼	—	—	—	—
One month	14¼-14¾	14¼-14¾	14-14¾	15¼-15¾	14¾	14¾-14¾	13¾-13¾	13¼	13¾-14	14¾
Two months	14½-14¾	14¾-14¾	—	14¾-14¾	14¾	—	13¾	—	13¾	14¾
Three months	14¼-14¾	14¾-14¾	14¾	14¼-14¾	14½	—	13½	12¾	13¾-13¾	14¾
Six months	13¾-13¾	13¾-14	14	13¾-14¾	14	—	—	—	13¾	14
Nine months	13¾-13¾	13¾-13¾	—	13¾-14¾	14	—	—	—	—	—
One year	13¾-13¾	13¾-13¾	13¾	13¾-14¾	14	—	—	—	—	—
Two years	—	—	13¾-14¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾-13¾ per cent; four years 13¾-13¾ per cent; five years 13¾-13¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13¾ per cent; four-month trade bills 14¾ per cent.

Approximate selling rate for one-month Treasury bills 12¾-13 per cent; two-months 12¾ per cent; three-months 12¾ per cent. Approximate selling rate for one-month bank bills 13¾-13¾ per cent; two-months 13¾ per cent; three-months 13¾-13¾ per cent; one-month trade bills 14¾ per cent; two-months 14¾ per cent and three-months 14¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15½ per cent from January 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11¾-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 12.9149 per cent.

CURRENCY RATES

Jan. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.551007	0.545889
U.S. $	13	1.27532	1.30696
Canadian $	17.00	1.51321	1.54901
Austria Sch.	6¾	17.7792	19.2322
Belgian F	12	40.3671	41.3783
Danish K	11	7.75290	7.91890
D'mark	7½	2.50945	2.57054
Guilder	8	2.73856	2.79573
French Fr	9½	5.80111	5.94558
Lira	16½	1192.11	1221.46
Yen	7¼	257.232	264.007
Norwgn. Kr	9	6.55770	6.71648
Spanish Pta.	8	101.708	104.072
Swedish Kr	10	5.59929	5.73500
Swiss Fr	3	2.26913	2.32308
Greek Dr'ch.	20	Unavail.	61.0744

CURRENCY MOVEMENTS

Jan. 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	79.1	−25.4
U.S. dollar	86.2	−7.7
Canadian dollar	81.3	−18.4
Austrian schilling	147.8	+22.3
Belgian franc	111.4	+10.9
Danish kroner	102.0	−7.1
Deutsche mark	148.5	+43.8
Swiss franc	187.7	+76.5
Guilder	122.9	+17.8
French franc	107.0	−5.5
Lira	50.2	−52.9
Yen	150.1	+25.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

SPAIN

1980 High	Low		Jan. 9 Price %
264	203	Banco Bilbao	281
302	222	Banco Central	292
260	205	Banco Exterior	240
250	200	Banco Hispano	247
137	100	Banco Ind. Cat.	126
175	141	Banco Madrid	180
301	237	Banco Santander	318
134	84	Banco Urquijo	90
277	203	Banco Vizcaya	295
108	76	Banco Zaragoza	212
60	50	Dragados	158
71	52	Espanola Zinc	69
58.7	53.2	Fecsa	58
40	22	Gal. Preciados	36
58.7	45	Hidrola	64
71	58	Iberduero	68
120	77	Petroleos	102
100	59	Petroliber	99
20	15	Sogefisa	19
63	51.5	Telefonica	61.5
67	58.2	Union Elect.	61.7

CORAL INDEX: Close 458-463 (+1)

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment—GmbH
Neue Mainzer Strasse 74-76, D-6000 Frankfurt
FT-Interzins DM37.32 40.79 +0.07
Frankft. Effekt. Fd. DM50.73 53.40 −0.08

Phoenix International
PO Box 77, St. Peter Port, Guern. 0481 26741
Inter-Dollar Fund US$3.16 3.41
Far East Fund US$2.41 2.60
Intl. Currency Fund US$1.73 1.87
Dollar Fxd. Int. Fund US$2.25 2.43
Ster. Exempt Gilt Fd. £1.38 1.50

Providence Capitol Life Ass. (C.I.)
PO Box 121, St Peter Port, Guernsey 0481 26726/9

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd.

Baring Brothers & Co., Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Trust Management (a) (c) (g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Choulerton Fund Managers(a)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dartington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngemt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c).

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Trustee Savings Bank

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance Co. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

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1A	1O	Aust. 5½pc '81-82	92½	29.8	6.04	13.63
1J	1D	Do. 6pc 1981-83	84	31.10	7.20	13.04
1Ja	1J	N.Z. 7¼pc 1928-92	64	1.12	11.35	13.53
15J	15D	Do. 7¼pc '83-86	78¼	17.11	9.64	13.36
1M	1N	Sth. Africa 9½pc '79-81	96¾	26.9	10.00	16.11
1A	1O	S. Rhod. 2½pc Non-Ass.	116	3'66	—	—
—		Do. 3½pc 80-85 Assd.	45	—	8.10	25.80
—		Do. 4½pc 87-92 Assd.	27xd	7.1	16.66	22.00
—		Zimbabwe Ann (£100pa)	355	—	—	25.40

LOANS

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Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

F.MyAuN.	Hollinger $5	16⅝	26.7	$2.20	—	4.6
Apr. Oct.	Hudson's Bay ‖	837p	11.7	$1.20	—	5.0
Jan. July	Hud.B.Oil G. $2½	810p	25.3	$7.5c	—	2.5
Mr.Je.S.D.	Imperial Oil ‖	11½	28.2	$1.40	—	4.3
Jan.Ag.J.O.	Inco ‖	860p	31.7	$US72c	—	3.5
F.My.Au.N.	Int. Nat. Gas $1	500p	30.10	$1.00	—	7.0
Mr.Je.S.D.	Massey Ferg. ‖	175p	11.77	—	—	—
—	Place Gas $1	110p	—	—	—	—
June Dec	Rio Algom	12⅞	26.10	$1.50	—	4.2
M.Je.S.D.	Royal Bk.Can. $2	23⅝	27.10	$2.72	—	4.5
SeDeMrJu	Seagram Co. C$1	25	21.5	US$1.40	—	2.3
F.MyAuN.	Tor. Dom. Bk. $1	11⅞xd	23.12	$1.52	—	4.5
J.Ap.Jy.O.	Trans Can. Pipe	800p	25.6	$1.16	—	5.1

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PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY
Telex: Editorial 8954871. Advertisements: 885033. Telegrams: Finantimo, London.
Telephone: 01-248 8000.

Frankfurt Office: The Financial Times (Europe) Ltd., Frankenallee 68-72, 6000 Frankfurt-am-Main 1.
Telex: Editorial 416052. Commercial 416193. Telephone: Editorial 7598 234. Commercial 7598 1.

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NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ◆ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- •• Regional price.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 24

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FINANCIAL TIMES

Monday January 12 1981

Commons row likely on rates support

BY ROBIN PAULEY

A MAJOR ROW is expected in Parliament on Wednesday about the rate support grant settlement for local councils in 1981-82 and the inconsistent, and potentially inflationary results, now widely expected to result from the new block grant system.

London MPs of both political parties are under pressure from London boroughs in their constituencies because of the amount of grant which the capital will lose under the new system.

In addition, a number of MPs with local government background and interests including members of the Conservative back-bench Local Government Committee, are now furious with the Government for causing so much disruption in council finances and for destroying goodwill between the Conservative administration and Conservative councils.

It is doubtful whether many Tory MPs would be prepared to vote against the Government in the rate support grant settlement debate on Wednesday, but several are expected to speak strongly against both the switch of funds away from metropolitan areas in favour of the counties and against the chaos which has erupted in developing a new method of distributing the grant.

Concern is growing about the inconsistent results of the new system for 1981-82 and the extent to which a large number of authorities will be encouraged to spend more than necessary.

Research by local authorities, their associations and by Mr. Tony Travers, of North-East London Polytechnic, have all indicated that some councils will be faced with incentives to spend more because their grants would be proportional to their spending, while in other cases grants will be reduced if they spend more than a certain limit. Only a few councils come into this second category.

Mr. Travers, in an analysis published today, shows that most non-metropolitan counties and districts and all metropolitan counties—the majority of councils in England and Wales—will attract increased grant if they decided to spend more than the Government's estimate of what they need.

This feature, which applies particularly to councils with low rate bases, is a major upset of the Government's intention when it decided to change the system. The whole point was supposed to be to stop the possibility of authorities being able to attract grant ad infinitum.

However, some other authorities, such as the Inner London Education Authority, Camden and Spelthorne, Surrey, lose grant very rapidly after their expenditure passes the Government's bench-mark for expenditure. If they were 50 per cent "overspent" they would get no grant at all and be dependent solely upon their ratepayers for funds.

The arbitrary favouring of some councils against others has caused a storm, particularly in inner London, where all councils anyway stand to lose grant under the new scheme but some lose it sharply and others gently.

Block grant winners and losers, Page 20

Olympia appeals to Bonn for cash aid

By Kevin Done in Frankfurt

OLYMPIA WERKE, one of the major loss-making subsidiaries of financially troubled AEG-Telefunken group, is to seek financial support from the West German Government and the State Government of Lower Saxony as a condition for keeping open one of its main factories in north-west Germany.

The typewriter works at Leer in East Frisia was to be closed as part of the far-reaching restructuring programme by AEG-Telefunken.

The company ran up a further balance sheet loss of DM 300m in 1980 after post-tax losses of DM 968m in 1979 led to a large-scale financial rescue operation organised by a West German banks consortium.

Olympia, AEG's office equipment subsidiary, has proved one of the weakest parts of the group. Reports in Lower Saxony that its losses in 1980 could have exceeded DM 150m, after losses of more than DM 100m in 1979, have not been denied by the company.

After extensive negotiations with the workers Olympia said at the weekend that the Leer works, where mechanical and electric typewriters are made, could be kept open with State aid.

A significant cut in the number of workers Olympia employs some 10,000 in West Germany and about 12,300 worldwide, would still be needed.

Some 3,500 workers at Olympia's main works at Wilhelmshaven stopped work for two hours last week in protest at possible job losses.

Olympia, which had sales last year of some DM 1bn, said at the weekend that the scale of the necessary job cuts had not been decided. But it appears to be seeking to reduce the domestic work force by at least 1,000.

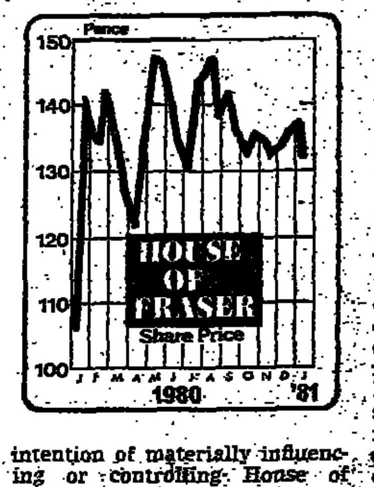
It plans to phase out products where there were major losses last year, and to concentrate on areas where it has a technological lead, such as electronic typewriters and text processing.

In product areas where it can no longer compete with Far Eastern competition manufacturing will be given up in favour of buying products direct from Far Eastern makers.

THE LEX COLUMN

Lonrho's battle of Oxford Street

This is the decisive week in the latest battle between Lonrho and House of Fraser. Although the extra-ordinary general meeting called by Lonrho to protest against Fraser's D. H. Evans sale-and-leaseback deal does not take place until January 20, the proxy cards need to be posted by this Thursday in order to be in time. At this stage the Board remains in a strong position to win, though it is unlikely that Lonrho will this time be trounced so overwhelmingly as in the previous proxy battle last June. Then, the Board pulled in over 70m votes whereas Lonrho was able to attract only a few million on top of the 45m votes (just under 30 per cent of the total) which it can exercise on its own account.



One reason why Lonrho should do better is that it has a more plausible case than last time, when it tried to push through a transparently unjustifiable extra dividend, and also attempted to pack Fraser's Board with its own men. Moreover, shareholders are likely to respond unenthusiastically to a second proxy battle within seven months. And the timing has been a little awkward for Fraser, for the arguments have been partly obliterated by Christmas pudding and Hogmanay revels, while to have delayed the EGM any further would have made it almost impossible to get the D. H. Evans deal completed in time to be reflected in the January 31 balance-sheet.

But whatever the rights and wrongs of the Evans deal (and not much more need be said than that it is an obscure and technical issue on which professional opinion is divided) the fact remains that Lonrho's aggressive tactics are not justified. It has Board representation, but with 30 per cent it remains a minority shareholder with no right to impose a minority view.

Lonrho has been inconsistent in berating the Fraser management over alleged past errors. After all, it told the Monopolies Commission in 1978 that it regarded the group as "exceptionally well run, and Lonrho would not wish to make any major changes." It has also been decidedly disingenuous in claiming, as it did in the December 31 circular, that other shareholders' interests in this dispute must coincide with Lonrho's.

In fact other shareholders will note that Lonrho has changed its view from that put to the Monopolies Commission, which heard that Lonrho "had no intention of materially influencing or controlling House of Fraser policy." If Lonrho can wear down the Board, and shower shareholders with enough tiresome circulars it might be able to take control of Fraser more cheaply than otherwise.

The forthcoming poor results from Fraser, due in April, could provide Lonrho with an opportunity. But Lonrho's own share price is well below its 1980 peak, and it is overhung by a big weak holder in the shape of Gulf Fisheries. Lonrho's market capitalisation is some £250m, and it would have to pay a substantial premium for the outstanding 70 per cent of Fraser, now worth £140m in the market.

Transatlantic oils

Despite the tribulations of Double Eagle, British investors continue to hunger for speculative plays in places like Alberta and the Rocky Mountain Overthrust. During the first few working days of the New Year, it has become apparent that the deluge of North American oil and gas exploration companies has resumed with undiminished strength.

Thus Apian Resources comes out of the Shackleton and Hansa stable, and is going to offer 15m shares at C$1 apiece. It is to be listed in Vancouver and no doubt will be traded under London's rule for foreign companies.

Besides the overtly public offerings, the market for private placements appears better than ever. The well connected oil analyst or fund manager is said to be seeing as many as half a dozen prospectuses crossing his desk in some weeks.

For instance, Minden Oil and Gas is a U.S. based company which is being offered to clients by Lazards. It has the distinction of starting with a paid-up capital of $1.5m and is taking the precaution of investing no more than 25 per cent in any single venture. Minden looks to have better credentials than some. Indeed it is important to distinguish between the various North Americans in terms of management, prospects and backing.

City analysts estimate that as much as £100m of U.S. and Canadian oil exploration paper has been placed in the past six months, only half from public offerings. Just recently, however, the response to the lure of oil has been slightly less than fully Pavlovian. Thus Pennine Resources, the Candecca offspring designed to raise £4.5m for U.S. exploration, recently only squeaked home with applications for 9.6m shares after an offer for sale of 9m.

Dale Petroleum Investments, an exploration vehicle incorporated in Curacoa, listed on the Luxembourg Stock Exchange and planning to drill in the U.S., suffered a dry hole in London. It was forced to send refund cheques out to subscribers when the December 29 deadline passed without the taking up of the minimum 30,000 exploration units. Still, the parade of hopefuls continues.

U.S. interest rates

It was not just the recommendations of one flamboyant guru that sent Wall Street spinning last week. Fundamentals matter too. Having been lulled into a mood of complacency by a couple of sets of good money supply figures, the market woke up to the fact that the Fed really does mean business and that is not going to allow interest rates to barrel down in the way that they did last spring.

At almost the same moment that the Fed Chairman was telling the Senate Banking Committee that there were no soft options, the authorities were busy tightening money, by taking reserves out of the banking system. The federal funds rate at the time was about 18¼ per cent, and it was a shock to the market to learn that the Fed apparently considered that rate to be too low.

This brought grief to the bond markets, where long yields had been well ahead of the game and a huge corporate bond calendar was building up. In the Eurobond market, where new issuers had jumped the gun, there were falls of over three points from the peak. Until the economy adjusts itself to the pressures that have brought about high interest rates, they will not be allowed to fall far.

Solidarity to shun strikes

By Leslie Colitt in Gdansk

LEADERS OF the Solidarity union intend to avoid using strikes to press their demand for the five-day working week after demonstrating that they were able to close almost every large factory in Poland on Saturday. The union had threatened strikes if any workers were dismissed for staying at home.

Mr. Lech Walesa, head of Solidarity told the FT: "We do not want a strike and will be looking for other, better solutions."

About 85 per cent of office and factory workers stayed away from their jobs, while only essential services were maintained, he said.

The Government argued that most factories had switched the free Saturday scheduled for January 31 to this past Saturday. This may indicate that the Government is looking for a way out of the dilemma.

Three Saturdays were to be free this month, January 3, 17 and 31 while the 10th and 24th were to be work days.

Mr. Walesa is leaving for Warsaw tomorrow on the first leg of his trip to Rome. It is thought likely he will propose talks with the Government on economic questions which could help defuse the impasse.

"I was not in favour of introducing all free Saturdays this year, but the Government made many mistakes in the past four months," he said. The authorities should have presented arguments for and against free Saturdays but instead "they wanted confrontation."

Mr. Walesa said if the Polish Supreme Court refuses to allow the registration of the peasants' union, Rural Solidarity, later this week it will not automatically mean another clash with the Government.

"I propose putting off any strong action until I get back from the trip to Italy."

Mr. Bogdan Lis, the most influential of Mr. Walesa's advisers, said if the Government wants to negotiate "fewer free Saturdays" then it must "negotiate with us and not give orders." He said if the authorities take constructive steps then a "compromise will be possible."

OPEC states use London for Japanese share-buying spree

BY JOHN MAKINSON

OPEC countries have been using London as their principal channel for massive share purchases on the Tokyo stock exchange. The buying spree has recently abated but Bank of Japan figures suggest that share purchases through London were a significant factor behind the sharp appreciation of the yen on foreign exchange markets last year.

The central bank figures show that net purchases of Japanese shares from London totalled $3.7bn in the first 11 months of last year, compared with only $171m in the same period of 1979. British investors, enjoying their first full year of freedom from exchange controls, were partly responsible for the rise but Japanese brokers believe OPEC countries probably accounted for about two-thirds of last year's total.

The buying activity was particularly pronounced in August and September when net purchases from London totalled almost $1.7bn, but it tailed off. Brokers attribute the reduction to the onset of the war between Iran and Iraq, together with the sharp rise in U.S. interest rates.

The Tokyo Stock Exchange announced last week that foreign investors were net purchasers of shares worth $4.2bn last year so London appears to account for the lion's share of the buying. The figures do not paint an entirely accurate picture, however, as some Japanese securities houses use London as a clearing-house for transactions even when they take place in another foreign country.

The OPEC buying is part of a long-term strategy to diversify out of the dollar, the currency in which oil revenues are generally received. Mr. Shiro Inoue, senior advisor to Yamaichi Securities Company, said in London last week it was assumed that Middle East oil-producing countries were holding 6 per cent of their total assets in yen by last August, and that this proportion was expected to rise to around 10 per cent.

Middle East countries were also reported to be heavy buyers of Japanese bonds and yen deposits throughout the year, helping to finance Japan's payments deficit and pushing up the value of the yen, which was the strongest major currency of the year.

The Tokyo Stock Exchange index showed a rise of about 6 per cent last year and all of this can be attributed to foreign buying. According to Daiwa Securities, Japanese investment trusts, individuals and corporations were all net sellers of Japanese equities in 1980.

Middle-East Government agencies, such as the Kuwait Investment Office, are believed to have been buying Japanese shares heavily not only on the stock exchange but also through the vehicle of bond issues convertible into equity and denominated in dollars, marks and Swiss francs.

Last year they were particularly heavy buyers of high-technology companies but, as a result, shares in many of these are now in short supply. Japanese brokers therefore believe that this year they will either have to pay a substantial premium for these stocks or turn their attention to other, more cyclical sectors such as steel or shipbuilding.

Budget expected in mid-March

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BUDGET DAY seems likely to be even earlier than previously expected, probably in mid-March.

An announcement about the date is expected to be made within the next 10 days by Mr. Francis Pym, the new Leader of the Commons.

Until recently, it had been expected that the Budget would be around late March or early April. But the latest indications are that the speech is likely to be either March 10 or 17, though slippage to the end of month cannot be entirely ruled out.

In any case, a pre-Easter Budget is certain.

This is partly because the Government wants to maximise the revenue from any changes in indirect taxes, which take effect immediately.

The Treasury wants to announce the details of public-spending limits as early as possible to give Departments and programme-managers time to make the necessary adjustments.

Some Whitehall observers wonder whether an early Budget might have the advantage for Sir Geoffrey Howe, the Chancellor, of minimising the time both for politically damaging pre-Budget leaks and speculation, and for Ministerial discussions about the direction of economic policy.

Budget preparations have been brought forward, and key decisions must be taken much earlier than usual. It has already become clear that the main debates are about level and range of concessions to industry and the partly associated question of the size of any increases in personal taxation.

Any help for industry appears likely to be wrapped up and presented in a multi-item package. While the list may appear long, the key budgetary issue will be whether the employers' national insurance surcharge is reduced.

This would directly help industry's liquidity, though it could cost a lot of money in lost revenue; the surcharge would bring in more than £3½bn in 1980-81.

An increase in basic rate of income tax is being resisted by a number of key Ministers. They prefer not raising the personal thresholds and allowances fully in line with inflation.

Weather

UK TODAY

CLOUDY with rain spreading from the North in England and Wales followed by brighter, clearer weather. Showers in northern areas, wintry in Scotland and heaviest in the West.

London, South England, E. Anglia, Midlands, Channel Isles, S. Wales

Rain spreading South but clearer and mostly dry later. Fresh or strong SW winds. Max. 7C (45F).

N. England, N. Wales, Lakes, Isle of Man

Rain clearing southwards with heavy showers in places. Strong to gale force NW wind. Max. 4C (39F).

Scotland and N. Ireland

Sunny intervals and scattered showers turning to sleet and snow. Strong NW wind locally gale force. Max. 3C (37F).

Outlook: Sunny intervals, wintry showers, rain or snow and night frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	9	48	London	S	3	37
Algiers	C	13	55	L. Ang.†	C	18	64
Amsdm.	F	2	36	Luxmbg.	C	−2	28
Athens	S	10	50	Luxor	S	16	61
Bahrain	S	25	77	Madrid	F	4	39
Barclna.	Sn	1	34	Majorca	F	10	50
Beirut	T	10	50	Malaga	S	10	50
Belfast	C	4	39	Malta	R	9	48
Belgrd.	S	−4	25	M'chstr	C	1	34
Berlin	C	−1	30	Melbne.	F	20	68
Biarritz	C	2	36	Miami†	F	6	43
Bmghm.	C	2	36	Milan	F	4	39
Blackpl.	C	3	37	Montrl †	Sn	−28	−18
Bordx.	C	3	37	Moscow	Sn	−9	16
Boulgn.	F	4	39	Munich	Sn	−3	27
Bristol	F	3	37	Nairobi	F	26	79
Brussels	S	0	32	Naples	S	5	41
Budpst.	S	−2	28	Nwcstl	C	3	37
Cairo	F	14	57	N Yrk.†	F	−12	11
Cardiff	F	3	37	Nice	C	10	50
Cas'b'ca	C	12	54	Nicosia	C	11	52
Cape T	S	26	79	Oporto	S	[illegible]	46
Chicg.†	F	−16	3	Oslo	C	−7	19
Cologne	S	1	34	Paris	S	2	36
Cpnhgn.	F	1	34	Perth	S	34	93
Corfu	C	8	46	Prague	Sn	−1	30
Denvert	F	−6	21	Reykjvk.	C	0	32
Dublin	C	[illegible]	29	Rhodes	F	11	52
Dbrvnk.	C	6	43	Rio J'ot	C	32	90
Ednbgh.	S	4	39	Rome	S	8	46
Faro	S	9	48	Salzbrg.	C	−3	27
Florence	S	0	32	S'ciscot	F	4	39
Frankft.	C	1	34	Singapr	F	27	81
Funchal	R	14	57	S'tiagot	F	30	86
Geneva	C	1	34	Stckhm.	F	−4	25
Gibrltr.	S	10	50	Strasbg.	C	1	34
Glasgow	C	6	43	Sydney	F	23	73
G'nsey	F	4	39	Tangier	F	10	50
Helsinki	F	−3	27	Tel Aviv	C	12	54
H. Kong	S	16	61	Tenerife	F	13	55
Innsbrk.	C	−2	28	Tokyo	S	7	45
Invrnss.	F	6	43	Trnto†	Sn	−21	−6
I.o.Man	C	5	41	Tunis	S	12	54
Istanbul	C	0	32	Valencia	R	3	37
Jersey	F	5	41	Venice	S	2	36
Jo'burg	C	22	72	Vienna	C	−3	27
L. Plms.	C	18	64	Warsaw	F	−1	30
Lisbon	S	9	48	Zurich	C	−1	30
Locarno	C	3	37				

C—Cloudy F—Fair Fg—Fog. H—Hail R—Rain S—Sunny. Sl—Sleet. Sn—Snow T—Thunder.
† Noon GMT temperatures.

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Seamen's industrial action

Transport and General Workers Union, ASLEF, the train drivers' union, the National Union of Railwaymen and the Amalgamated Union of Engineering Workers to seek support.

Dockers' executive leaders in the TGWU said they backed the seamen. They would discuss any detailed request for support at a meeting planned in the middle of this week.

In the 1966 strike, dockers' support was vital in minimising shipowners' attempts to reduce its effectiveness by employing foreign-owned ships to maintain exports and imports.

Mr. Jim Slater, NUS general secretary, said the action was going ahead because "we can't hold our punches any longer.

"We are convinced our case for overtime rates to be brought in line with other major industries stands up. We have repeatedly asked for independent arbitration which we accept should take into account the employers' ability to pay."

The union would not accept the proposal for time-and-a-half overtime rates only on Sundays. Ships would merely respond by cutting overtime on those days.

● After a mass meeting in South Shields, Mr. Joe Pigott, branch secretary, said up to 24 ships trading to the Tyne could be affected. Ships at other North-East coast ports such as Blythe, the Wear and the Tees would be affected.

He said: "We have between 400 and 500 members from the North-East on oil rigs for manning their tenders and these could be affected."

● The Trade Department said it was "keeping an eye" on the dispute. The indications were that it would have to drag on for some time, or escalate significantly, before the Department was likely to consider intervention.

The Confederation of British Industry expressed concern about the likely effects on exports, particularly to Britain's European partners.

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are only 50 per cent. The French group faces severe difficulties and is forecasting a loss this year of FFr 1.5bn. (£140m).

Scottish ministers have a contingency plan which would involve finding another manufacturer to take over Linwood and save some of the 4,600 jobs there. Japan is seen as the most likely source, although several major Japanese motor groups have already made plans for manufacturing elsewhere in Europe.

Nissan has a joint arrangement with Alfa Romeo to produce a small car in Italy. Toyota is known to be interested in manufacturing in Spain and Honda already has a link with another British company, BL.

Gang of Three pressed to stay in party

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE PRESSURES on Labour's so-called "Gang of Three" Right-wingers to stay inside the Labour Party increased yesterday at the beginning of what could be a decisive fortnight for any breakaway group.

In an indication of how seriously some of their Parliamentary colleagues take the threat of an imminent breakaway which would seriously damage Labour's electoral chances, two leading members of the moderate Manifesto Group, Mr. Giles Radice and Mr. George Robertson, came into the open with an appeal to those who shared their views about the way Labour was going to fight back inside the party.

Raising the standard of Hugh Gaitskell, the two urged the Gang of Three to "fight, fight and fight again to save the party we love." Now, they said, with the party adopting positions which were "ill thought-out, impossible to put into practice," and in some cases amounting to "political bullying," was not the time to surrender.

The appeal, after signs last week that at least a small group of Labour MPs were bracing themselves to leave the party, came in two separate but co-ordinate statements from Mr. Radice (Chester-le-Street) and Mr. George Robertson (Hamilton), respectively chairman and secretary of the Manifesto Group.

Both would once have been considered natural allies of Mrs. Shirley Williams, Mr. Bill Rodgers and their partner in the Gang of Three, Dr. David Owen.

The appeal, which in many ways would strike a chord with the Gang of Three, is indicative of the kind of political and emotional pressures the "Three" will be under in the run-up to the party special conference on January 24.

This, despite the view of Mr. Rodgers that it may well not be the right issue on which to leave the party, has come to be seen as a watershed for the Right.

But the "Three" are also likely to be under strong pressure from Mr. Roy Jenkins to break loose and join him in some new movement.

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